

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
FEBRUARY 26, 2014
APPLICATION SUMMARY**

NAME OF PROJECT: The Farms at Bailey Station

PROJECT NUMBER: CN1311-045

ADDRESS: Unaddressed site on Crooked Creek Road
Collierville (Shelby County), Tennessee 38017

LEGAL OWNER: Luke, Inc.
2171 Judicial Drive, Suite 215
Germantown (Shelby County), Tennessee 38138

OPERATING ENTITY: Retirement Companies of America
6465 Quail Hollow Road, Suite 400
Memphis (Shelby County), TN 38120

CONTACT PERSON: Jerry Taylor
(615) 782-2228

DATE FILED: November 15, 2013

PROJECT COST: \$6,306,575.00

FINANCING: Commercial Loan

REASON FOR FILING: The addition of thirty (30) Medicare skilled nursing beds to a previously approved but unimplemented CON for the establishment of a thirty (30) bed Medicare skilled nursing home. *The thirty (30) nursing home beds are subject to the 125 bed Nursing Home Bed Pool for the July 2013 to June 2014 state fiscal year period.*

DESCRIPTION:

The Farms at Bailey Station is seeking approval to add thirty (30) Medicare certified skilled nursing home beds to an outstanding but unimplemented CON for the establishment of a thirty (30) bed Medicare skilled nursing home. If the

proposed project is approved, the result would be a sixty (60) Medicare skilled bed nursing home. This skilled nursing facility is part of a continuing care retirement community (CCRC) that in addition to the nursing home offers assisted living and independent living options on its 26.3-acre campus.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW:

NURSING HOME SERVICES

A. Need

1. According to TCA 68-11-108, the need for nursing home beds shall be determined by applying the following population-based statistical methodology:

$$\begin{aligned} \text{County bed need} = & .0005 \times \text{pop. 65 and under, plus} \\ & .0120 \times \text{pop. 65-74, plus} \\ & .0600 \times \text{pop. 75-84, plus} \\ & .1500 \times \text{pop. 85, plus} \end{aligned}$$

See step 2 below for the Nursing Home Bed Need calculation.

2. The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health.

Based on the 2016 projected population for Shelby County and using the above formula, the need calculation is 5,094 nursing home beds for the applicant's declared service area, Shelby County.

It appears that this criterion has been met.

3. The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health.

According to the Tennessee Department of Health's website, there currently are 3,976 nursing home beds in Shelby County. There are also 168 outstanding CON-approved but unimplemented beds in Shelby County for a current inventory of 4,144 nursing home beds. By subtracting the 4,144 nursing home bed inventory from the 5,094

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nursing home beds needed, the result is a net need for 950 nursing home beds in Shelby County.

It appears the application meets this criterion.

**Note to Agency Members Regarding Bed Need Formula: The formula was included in a 1996 amendment to the statute governing the development of new nursing home beds. The formula was based upon a population-based methodology that did not consider levels of care (skilled or non-skilled) or payment sources (Medicare, Medicaid, 3rd party). Institutional care was the norm and there were limited, if any, home and community-based care options. The Long-Term Care Community Care Community Choices Act of 2008 (CHOICES) and the 2012 changes in Nursing Facility Level of Care Criteria for TennCare recipients have impacted nursing home occupancies in TN. According to TCA § 68-11-1622, the Agency shall issue no certificates of need for new nursing home beds other than the one hundred twenty-five beds included per fiscal year (commonly referred to as the 125-bed pool). These beds must be certified to participate in the Medicare skilled program. This does not preclude a nursing home from dually certifying beds for both Medicare and Medicaid. This applicant has requested Medicare only beds.*

4. "Service Area" shall mean the county or counties represented on an application as the reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside. A majority of the population of a service area for any nursing home should reside within 30 minutes travel time from that facility.

The applicant states the project's primary service area is 10 contiguous ZIP Codes in southeast Shelby County. The applicant declares its secondary service area as the rest of Shelby County. The applicant reports that the majority of patients will reside in the 10 ZIP Code region which is all below 30 minute travel time to the Farms at Bailey Station.

It appears that this criterion has been met.

5. The Health Services and Development Agency may consider approving new nursing home beds in excess of the need standard for a service area, but the following criteria must be considered:

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- a. All outstanding CON projects in the proposed service area resulting in a net increase in beds are licensed and in operation, and

It appears that this criterion is not applicable since the thirty (30) proposed nursing home beds are not in excess of the need standard of the 1990s formula.

- b. All nursing homes that serve the same service area population as the applicant have an annualized occupancy in excess of 90%.

It appears that this criterion is not applicable since the thirty (30) proposed nursing home beds are not in excess of the need standard of the 1990s formula.

B. Occupancy and Size Standards:

1. A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90 percent after two years of operation.

The applicant projects attaining an occupancy rate of 91.7% by the second year of operation.

It appears that this criterion has been met.

2. There shall be no additional nursing home beds approved for a service area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 95 percent. The circumstances of any nursing home, which has been identified by the Regional Administrator, as consistently noncomplying with quality assurance regulations shall be considered in determining the service areas, average occupancy rate.

According to the Department of Health Report, there were 27 nursing homes in 2011 with more than 50 beds. Five of those 27 nursing homes had occupancy rates greater than 95%. A review of Provisional JAR data indicates that there were 26 nursing homes with over 50 beds in 2012 and that 6 of those nursing homes reported occupancies greater than 95%.

It appears that this criterion has not been met.

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3. A nursing home seeking approval to expand its bed capacity must have maintained an occupancy rate of 95 percent for the previous year.

The applicant currently has an outstanding but unimplemented CON to establish a thirty (30) Medicare-certified bed nursing home.

It appears that this criterion cannot currently be evaluated.

4. A free-standing nursing home shall have a capacity of at least 30 beds in order to be approved. The Health Services and Development Agency may make an exception to this standard. A facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.

This applicant currently has an outstanding but unimplemented CON to establish a 30 bed nursing home and is requesting 30 additional beds.

It appears that this criterion has been met.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.

The applicant describes The Farms at Bailey Station as a continuing care retirement community (CCRC) that provides seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance. Residents of the CCRC buy into the community with an entrance fee, the amount paid to the CCRC is determined by the size and type of unit purchased. The title to the living unit will remain vested in Bailey Station, but the resident will have a life estate which means the home will be for the resident's exclusive use and benefit during his or her lifetime. Each member in the CCRC will be entitled to a bed in the SNF when his or her medical needs require a skilled nursing home bed.

The applicant states the other levels of living at the CCRC will be the primary feeder for the proposed SNF, after the first several years. The proposed SNF beds will not be strictly limited to residents who are coming from an independent living or assisted living unit in Bailey Station. The applicant expects some of the patients for the proposed nursing home project will come from the community at large. The applicant estimates within 8-10 years the facility census will consist of 80-85% of patients from the CCRC.

The applicant reports the CCRC will be developed in two phases. Phase I will include the construction of the skilled nursing facility (SNF), 164 independent living apartments and 63 independent living garden homes, and sixty-three (63) assisted living units. Phase II will add the additional 102 independent living units, the previously approved but unimplemented thirty (30) SNF beds plus the proposed additional thirty (30) SNF beds, if approved. The result will be 266 independent living units constructed as free-standing one, two, and three bedroom townhomes, 63 independent living garden homes, 63 assisted living units, 23 of which will be in a designated Memory Care unit, and the 60 bed nursing home. The nursing home and assisted living units will be under one roof, although separated by doors and walls. By the completion of Phase II the applicant is expecting an independent living census of 466 and an assisted living census of 63.

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125 bed Nursing Home Bed Pool

- The applicant is requesting 30 new beds which will come from the Nursing Home 125 bed pool for the July 2013 to June 2014 state fiscal year period.
- There are currently 75 nursing home beds available in the July 2013 to June 2014 bed pool. Including this application there are currently three applications pending requesting a total of 80 beds. All three applications are in Shelby County.
- A copy of the 125 bed pool bed stats is located at the end of this summary.

Ownership/Management

- The proposed 30 bed addition to the previously approved 30 Medicare certified bed nursing home will be owned and developed by Luke, Inc., a non-profit corporation located in Memphis, TN.
- The nursing home will be managed by Retirement Companies of America (RCA). RCA has a 32 year track record of success in the planning, development, marketing, and ongoing management of CCRCs. RCA has experienced direct involvement in over 1,500 CCRC units serving over 2,200 residents from conception through operational management. In addition, RCA has served in a consulting role for approximately 35 senior living communities around the country in various capacities of development, marketing, and management.
- The applicant will be related by common management through RCA to Kirby Pines Manor, a CCRC with a 120 bed SNF which has been in operation in Shelby County for 20 years and is owned by Psalms, Inc. The corporate officers of Psalms Inc. and Luke, Inc. are identical, and there is one common board member. The applicant states the proposed CCRC is modeled after Kirby Pines Manor.

Facility Information

Bailey Station will be situated on approximately 26.3 acres. The skilled nursing facility will occupy approximately 9.3 acres of that tract. The proposed 30 bed unit will occupy the second floor of the building consisting of 28,372 gross square feet (GSF). The patient rooms will all include private accommodations and consist of 10,920 square feet of the total space. The previously approved but unimplemented 30 SNF beds will occupy the first floor of the facility. In the first supplemental response the applicant noted that each floor will have the space

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and services needed for the residents of each floor including rehab and therapy space.

The applicant notes that in its previously approved but unimplemented application it was disclosed that it was always the intent of the applicant to have a 60 bed skilled nursing home. In the first supplemental response the applicant states that operating a 30 bed skilled nursing home is feasible but not practical. Because of the nursing home bed pool limitation of only being able to request up to 30 beds per fiscal year, the applicant requested 30 beds in FY13 which resulted in the approval of CN1303-008 on June 26, 2013 and the request of 30 additional nursing home beds in FY2014 via this application.

Project Need

The applicant provided the following justification:

- The current bed need formula identified a net need for 950 nursing home beds. The applicant also used a health planning/demographic firm to assess a need for 809 additional beds in the 10 ZIP Code primary service area.
- Residents of a CCRC are entitled to have access to nursing home care if and when the time comes and the need arises. It is projected that in 8-10 years 80%-85% of the nursing home patients will members of the Bailey Station CCRC.
- Some nursing home patients will be residents of the community at large.
- The existing approved but unimplemented 30 beds are not sufficient to meet the needs of a CCRC community the size and scope of Bailey Station.

Service Area Demographics

The Farms at Bailey Station's declared primary service area consists of ten (10) contiguous zip codes in southeast Shelby County. The secondary eservice area includes the rest of Shelby County. The following review of demographic data will be for Shelby County.

- The total population of Shelby County is estimated at 943,812 residents in calendar year (CY) 2014 increasing by approximately 0.6% to 949,178 residents in CY 2016.
- The overall statewide population is projected to grow by 1.8% from 2014 to 2016.
- The Shelby County population cohort of age 65 and older presently accounts for approximately 11.5% of the total population compared to a state-wide average of 14.9% in CY 2014.

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- The 65 and older population will increase from 11.5% of the general population in 2014 to 12.3% in 2016. The statewide 65 and older population will increase from 14.9% in 2014 of the general population to 15.5% in 2016
- The 65 and older population will increase 7.5% between 2014 and 2016 in Shelby County. The statewide 65 and older population will increase 6.1% during the same timeframe.
- The proportion of TennCare enrollees of the total county population is 24.3%, compared with the state-wide average of 18.4%.

Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Historical Utilization

- The applicant currently has an outstanding but unimplemented CON to establish a 30 bed nursing home so there is no historical information to report.
- The individual nursing home utilization trend table for Shelby County at the end of this summary reflects the following: Shelby County nursing homes reported patient days of 1,300,573 patient days in 2010, which have decreased by 20,915 or 1.6% in 2012 (2012 data is provisional).
- Even though patient days experienced a decline between 2010 and 2012 area wide nursing home occupancy increased from 83.7% in 2010 to 87.2% in 2012. This trend was impacted by the fact that there were 4,261 licensed nursing home beds in 2010, reducing to 4,169 in 2011, and reducing further to 4,020 in 2012. The occupancy ranges for the 31 nursing homes reporting in 2012 (provisional data) was as follows:
 - 6 nursing homes reported occupancy of greater than 95%.
 - 7 nursing homes reported occupancy in the 90% - 95% range
 - 13 nursing homes reported occupancy in the 80% - 89% range
 - 4 nursing homes reported occupancy in the 70% - 79% range
 - 1 nursing homes reported occupancy below 70%
- According to 2011 Final JAR data, of the 4,169 nursing home beds in Shelby County during 2011, 3,486 or 83.6% were Medicare certified skilled nursing beds. Review of the 2011 Nursing Home JAR indicated that the Medicare skilled average daily census was 635. This indicates that the skilled nursing home beds in Shelby County were utilized by Medicare skilled patients approximately 18% of the time. The details of skilled vs. non skilled utilization by nursing home in Shelby County are presented in a table at the end of this summary.

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Projected Utilization

The Farms at Bailey Station (60 Bed Nursing Home)

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	SNF Medicaid ADC	SNF All other Payors	Non-Skilled ADC	Total ADC	Licensed Occupancy
1	60	60	25	0	5	0	30	50%
2	60	60	42	0	13	0	55	92%

* Includes dually-certified beds

- The above table projects that once all 60 nursing home beds are available the occupancy will be 50% in the first full year of operation and increase to 92% by the second year of operation.
- In Year 2, on average the 60 Medicare skilled beds will contain 42 Medicare skilled patients and 13 other payor skilled patients.

Project Cost

The total estimated project cost is \$6,306,575.

Major costs are:

- Construction- \$4,384,893 or 69.5% of total cost

There are no other cost items that were greater than 5%. For other details on Project Cost, see the Project Cost Chart in the original application.

The construction cost is \$154.55 per square foot. As reflected in the table below, the new construction cost is approximately \$10/square foot below the 1st quartile of \$164.57/square foot of statewide nursing home construction projects from 2010 to 2012.

Statewide Nursing Home Construction Cost Per Square Foot 2010-2012

	Renovated Construction	New Construction	Total construction
1st Quartile	\$19.30/sq. ft.	\$164.57/sq. ft.	\$73.23/sq. ft.
Median	\$35.76/sq. ft.	\$167.31/sq. ft.	\$166.57/sq. ft.
3rd Quartile	\$55.00/sq. ft.	\$181.72/sq. ft.	\$167.61/sq. ft.

Source: HSDA Applicant's Toolbox

A letter dated November 12, 2013 from Vice President Beverly Brandon of the architectural firm Rees indicates the proposed nursing home will be constructed to comply with all applicable building and life safety codes. She also confirmed that the building will consist of 28,372 gross square feet with an estimated construction cost of \$4,384,892.60.

Historical Data Chart

Since the applicant to date has an outstanding but unimplemented CON to establish a 30 bed nursing home, a Historical Data Chart was not filed.

Projected Data Chart

The applicant projects \$6,635,761.00 in total gross revenue on 10,995 patient days during the first year of operation of the 60 bed nursing home and \$11,573,838 on 20,075 patient days in Year Two (approximately \$576.53 per day). The Projected Data Chart reflects the following:

1. Net operating income less capital expenditures for the applicant will equal (\$1,014,127) in Year One increasing to \$501,547 in Year Two. The applicant states that the Year 1 is a "paper loss" because of the inclusion of depreciation, interest on the loan, and contingent expenses that may not occur such as reserve for one year's debt service, and construction contingency. The full explanation is on page 9 of the original application.
2. Net operating revenue after bad debt and contractual adjustments is expected to reach \$8,376,639 or approximately 72.4% of total gross revenue in Year Two.

Charges

In Year One of the proposed project, the average patient daily charges are as follows:

- The proposed average gross per diem charge is \$602.62/day in Year 1.
- The average deduction is \$172.95/day, producing an average net per diem charge of \$429.66/day.
- The applicant's projected net charge of \$429.66 per patient day is significantly higher than what was reported for several Shelby County nursing home in the 2012 Provisional JAR. The applicant explains that the comparison is between 2012 actual charges to a projected 2016 charge, there will be a higher mix of skilled and rehab patients than the comparison group, and the applicant will not be participating in the Medicaid program.

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Payor Mix

- Medicare- Charges will equal \$4,015,524 in Year One representing 85% of total gross revenue. The applicant will not be participating in the TennCare/Medicaid program.
- Private Pay is expected to be the major source for the remaining revenue.

Financing

The applicant has stated that the project will be funded through a commercial loan as initial interim financing. Ultimately the intent is to have permanent financing through tax exempt bonds. A revised November 22, 2013 letter in the first supplemental response from Chief Executive Officer and President Jim Rout of BankTennessee indicated favorable contact for a loan of approximately \$6,350,000 at 5.0% interest for a term of two years. Psalms, Inc. also will provide up to \$500,000 if required to meet operating shortfalls during the first year of operation.

Luke, Inc. is a start-up company and does not have any financial statements. It is affiliated with Psalms, Inc. by the two organizations' common management company, Retirement Communities of America, and by the fact it has identical corporate officers and one common board member. Psalms Inc.'s audited financial statements for the period ending December 31, 2012 indicates \$6,877,282 in cash and investments, total current assets of \$16,064,108, total current liabilities of \$22,358,411 and a current ratio of 0.78:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities. In the first supplemental response the applicant provided a schedule showing a restated current ratio. The schedule subtracted \$7,050,376 in restricted assets, cash, and investments from the \$16,064,108 current assets for restated current assets of \$9,013,732. The schedule also subtracted \$14,619,111 in accrued interest exclusive of bond interest, wait-list deposits, and line of credit for restated current liabilities of \$7,739,300. The restated current ratio is 1.16:1.

Since Luke, Inc. has no financial statements debt service coverage ratio and long term debt as a percent of total capital ratio could not be calculated.

Debt Service Coverage Ratio measures the ability to cover current debt obligation from funds both operating and non-operating activity. Higher ratios indicate a facility is better able to meet its financing commitments, A ratio of 1.0

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indicates that average income would just cover current interest and principal payments on long-term debt.

Long term debt as a percent of total capital measures the proportion of debt financing in a facility's long-term financing mix. A low level of debt and a healthy proportion of equity in a company's capital structure is an indication of financial fitness.

Staffing

The applicant's direct patient care proposed staffing for the 60 bed facility in Year 2 is presented in the table below:

Position	Year 2 FTEs
Director of Nursing	1.00
RNs	4.20
LPN	11.20
CNA	16.80
Social Worker	1.50
Activities Director	1.00
TOTAL	35.70

The applicant also points out that physical, occupational, and speech therapy positions will all be contractual. The allocated costs for these positions were included in the Projected Data Chart.

Licensure/Accreditation

The Farms at Bailey Station will be licensed by the Tennessee Department of Health and will be certified by Medicare.

Corporate documentation, management agreement, and real estate deed are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the applicant requests an additional year so that the CON would expire in **three** years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications for this applicant.

Outstanding Applications

The Farms at Bailey Station, CN1303-008A, has an outstanding Certificate of Need that will expire on August 1, 2016. It was approved at the June 26, 2013 Agency meeting for the establishment of a thirty (30)* SNF bed nursing home certified for Medicare participation to be part of a continuing care retirement community. The estimated project cost is **\$7,301,961.00**. **Project Status:** *The applicant has pending application CN1311-045 for an additional 30 SNF beds and if approved will result in the development of a 60 bed nursing home.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent or denied applications for other similar providers in the service area.

Pending Application

Ave Maria Home, CN1312-048, has a pending application that is scheduled to be heard at the April 23, 2014 Agency meeting. The application is for the replacement of thirty-five (35) of the current seventy-five (75) skilled nursing facility (SNF) beds at 2805 Charles Bryan Road, Bartlett (Shelby County) and the addition of thirty (30)* Medicare certified SNF beds at 2840 Charles Bryan Road, Bartlett (Shelby County). If approved, the nursing home will have a total of one hundred five (105) licensed beds. The estimated project cost is **\$7,982,000.00**

**These beds are subject to the 2013-2014 Nursing Home Bed Pool.*

Shelby County Health Care Corporation, d/b/a The Regional Medical Center at Memphis, CN1311-044A has a pending application that is scheduled to be heard at the March 26, 2014 Agency meeting. The application is for the establishment of a twenty (20)* bed nursing home certified for Medicare/Medicaid that will operate as a department of The MED. The estimated project cost is **\$300,000.00**.

**These beds are subject to the 2013-2014 Nursing Home Bed Pool.*

Outstanding Applications

The Village at Germantown, CN1310-039A, has an outstanding Certificate of Need that will expire on March 1, 2016. It was approved at the January 22, 2014 Agency meeting for the addition of twenty (20) Medicare-certified skilled beds to

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its existing thirty (30) Medicare skilled bed nursing home. The estimated project cost is \$5,654,232.00. **Project Status:** *Recently approved.*

Collins Chapel Health & Rehabilitation Center, CN1202-011A, has an outstanding Certificate of Need which will expire on August 1, 2014. The CON was approved at the June 27, 2012 Agency meeting for the establishment of a nursing home with twenty-eight (28) Medicare SNF beds and to provide skilled nursing services facility services. The estimated project cost is \$1,626,331. *Project Status Update: A representative of the applicant in a 1/9/14 email indicated that this project has had recently to undergo architectural plan changes due to unforeseen construction cost projections from its contractors. The applicant's architects plan to submit revised plans to the Department of Health this month. The applicant has filed an extension request for an additional 12 months which will be heard at the February 26, 2014 Agency meeting.*

Christian Care Center of Memphis f/k/a Americare Health and Rehabilitation, CN0908-045A has an outstanding Certificate of Need which will expire on January 1, 2016. The CON was approved at the November 18, 2009 for the partial relocation and replacement of a health care facility (in accordance with TCA 68-11-1629): relocation of ninety (90) of two hundred and thirty seven (237) nursing home beds from 3391 Old Getwell Road in Memphis (Shelby County), TN to a 3.15 acre parcel of land at the northwest corner of Kirby Parkway and Kirby Gate Blvd in Memphis (Shelby County), TN. The estimated cost is \$10,473,976. *Project Status Update: The applicant received approval at the October 23, 2013 Agency meeting for a \$1,853,976 project cost increase and a two year extension of the expiration date from January 1, 2014 to January 1, 2016.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF 2/5/2014

NURSING HOME BED POOL STATS

July 1, 2013 - June 30, 2014

125 BED POOL

NH BEDS APPROVED

50 NURSING HOME BEDS

NH BEDS PENDING

80 NURSING HOME BEDS

SWING BEDS APPROVED

0 SWING BEDS

SWING BEDS PENDING

0 SWING BEDS

TOTAL BEDS

0 BEDS

DENIED/WITHDRAWN

SUBTOTAL-- BEDS REQUESTED

130 BEDS

TOTAL BEDS AVAILABLE

75 BEDS

FROM POOL

(TOTAL PENDING BEDS)

(80 BEDS)

<u>COUNTY</u>	<u>PROJECT NUMBER</u>	<u>FACILITY</u>	<u>PROJECT DISPOSITION</u>	<u>MEETING DATE</u>	<u>DESCRIPTION</u>
Knox	CN1307-024	Shannondale Rehabilitation Center	APPROVED	10/23/2013	The establishment of a new thirty (30)* bed Medicare skilled nursing home to be known as Shannondale Rehabilitation Center. The facility will be located on the campus of Shannondale Continuing Care Retirement Community at 7510 and 7522 Middlebrook Pike, Knoxville (Knox County), TN. The estimated project cost is \$6,609,488.00.
Shelby	CN1310-039	The Village at Germantown Skilled Nursing Facility	APPROVED	1/22/2014	The addition of twenty (20) Medicare-certified skilled beds to its existing thirty (30) Medicare skilled bed nursing home. The estimated project cost is \$5,641,539.00.

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Shelby	CN1311-044	Shelby County Health Corporation, d/b/a The Regional Medical Center at Memphis	PENDING	3/26/2014	The establishment of a twenty (20) bed nursing home certified for Medicare/Medicaid that will operate as a department of The MED. The estimated project cost is \$300,000.00.
Shelby	CN1311-045	The Farms at Bailey Station	PENDING	2/26/2014	The addition of thirty (30) Medicare-certified skilled beds to be part of the thirty (30) Bed SNF approved by CN1303-008A for a total of 60 SNF beds. The estimated project cost is \$6,306,575.00.
Shelby	CN1312-048	Ave Maria Home	PENDING	4/23/2014	The replacement of thirty-five (35) of the current seventy-five (75) beds and the addition of thirty (30) Medicare-certified skilled beds for a total of one hundred five (105) licensed nursing home beds. The estimated project cost is \$7,999,960.00.

SHELBY COUNTY NURSING HOME UTILIZATION TRENDS, 2010-2012

Nursing Home	2012 Beds	2010 Pat. Days	2011 Pat. Days	2012 Pat. Days	10-'12 % Chg.	'10 % Occ.	'11 % Occ.	'12 % Occ.
Allen Morgan Health and Rehab Center	104	29,053	27,178	32,094	10.5%	76.5%	71.6%	84.5%
Allenbrook Nursing & Rehab Center	180	61,632	62,846	62,784	1.9%	93.8%	95.7%	95.6%
*Americare Health & Rehab Center	0	52,472	52,210	0	-100.0%	60.7%	97.3%	0.0%
Applingwood Healthcare Center	78	27,076	24,486	26,651	-1.6%	95.1%	86.0%	93.6%
Ashton Place Health & Rehab Center	211	72,619	65,464	68,410	-5.8%	94.3%	85.0%	88.8%
Ave Maria Home	75	26,796	25,652	24,507	-8.5%	97.9%	93.7%	89.5%
Baptist Mem. Hospital-Memphis SNF	35	10,378	10,590	10,561	1.8%	81.2%	82.9%	82.7%
Baptist Skilled Rehab Unit-Germantown	18	324	5,123	5,423	1573.8%	4.9%	78.0%	82.5%
**Bright Glade Health and Rehab Center	77	25,709	25,451	25,867	0.6%	87.0%	86.1%	92.0%
Dove Health & Rehab of Collierville	114	27,733	34,996	35,754	28.9%	66.6%	84.1%	85.9%
Grace Healthcare of Cordova	284	86,103	74,167	74,167	-13.9%	83.1%	71.5%	71.5%
Graceland Nursing Center	240	82,117	76,445	75,843	-7.6%	93.7%	87.3%	86.6%
Harbor View f/k/a Court Manor	120	23,637	34,815	36,457	54.2%	54.0%	79.5%	83.2%
Primacy Healthcare & Rehab f/k/a Kindred	120	41,826	31,637	32,196	-23.0%	95.5%	72.2%	73.5%
Kirby Pines Manor	120	40,578	42,160	42,722	5.3%	92.6%	96.3%	97.5%
Memphis Jewish Home	160	48,726	44,394	42,920	-11.9%	83.4%	76.0%	73.5%
Methodist Healthcare SNF	44	5,472	5,370	6,623	21.0%	34.1%	33.4%	41.2%
MidSouth Health & Rehab.	155	17,147	29,172	49,201	186.9%	30.3%	51.6%	87.0%
Millington Healthcare Center	85	29,170	28,410	28,917	-0.9%	94.0%	91.6%	93.2%
Poplar Point f/k/a Overton Park	169	53,543	47,604	51,074	-4.6%	86.8%	77.2%	82.8%
Parkway Health and Rehab	120	36,359	42,549	42,102	15.8%	83.0%	97.1%	96.1%

The Farms at Bailey Station

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Nursing Home	2012 Beds	2010 Pat. Days	2011 Pat. Days	2012 Pat. Days	10-'12 % Chg.	'10 % Occ.	'11 % Occ.	'12 % Occ.
Quality Care Center of Memphis	48	13,026	12,244	12,535	-3.8%	74.3%	69.9%	71.5%
Quince Nursing and Rehab Center	188	65,719	66,343	65,776	0.1%	95.8%	96.7%	95.9%
***Rainbow Health & Rehab of Memphis	115	38,767	39,763	39,641	2.3%	94.8%	94.7%	94.4%
Signature Healthcare St. Francis	197	72,715	62,807	61,821	-15.0%	101.1%	87.3%	86.0%
Signature Healthcare-St. Peter Villa	180	56,578	54,445	60,560	7.0%	86.1%	82.9%	92.2%
Signature Healthcare Memphis	140	49,005	48,440	49,467	0.9%	95.9%	94.8%	96.8%
Spring Gate Rehab and Healthcare	233	73,826	78,591	78,439	6.2%	86.8%	92.4%	92.2%
The Highlands of Memphis Health & Rehab	180	53,561	55,265	60,143	12.3%	81.5%	84.1%	91.5%
King's Daughters and Sons Home	108	38,768	37,908	38,653	-0.3%	98.3%	96.2%	98.1%
The Village at Germantown	30	10,002	9,371	9,462	-5.4%	91.3%	85.6%	86.4%
Whitehaven Community Living Center	92	30,136	30,268	28,888	-4.1%	89.7%	90.1%	86.0%
TOTAL	4,020	1,300,573	1,286,164	1,279,658	-1.6%	83.7%	84.6%	87.2%

*Americare was a 237 bed nursing home in 2010. In compliance with TCA 68-11-1629 and approval of CN0908-045A for partial relocation of 90 beds, Americare became a 147 bed nursing home in 2011. In 2012 Americare closed

**Licensed for 81 beds in 2010 and 2011

***Added 3 beds in 2011 per approval of CN1003-012A

Shelby County Nursing Home Skilled/Non-Skilled Utilization

Nursing Home	Licensed Beds	SNF Beds-Medicare	SNF/NF Beds-Dually Certified	NF Beds-Medicaid	Licensed Only Non Certified	NF-ADC (Medicaid/Level I Only)	SNF Medicare Level II ADC	NF-ADC
Allen Morgan Health and Rehabilitation Center	104	24	0	0	80	0	12	62
Allenbrooke Nursing and Rehabilitation Center, LLC	180	0	180	0	0	132	16	140
Applingwood Health Care Center	78	0	78	0	0	39	16	51
Ashton Place Health and Rehab Center	211	0	211	0	0	131	19	131
Ave Maria Home	75	0	75	0	0	24	4	66
Baptist Memorial Hospital - Memphis Skilled Nursing Facility	35	35	0	0	0	0	25	0
Baptist Skilled Rehabilitation Unit - Germantown	18	0	18	0	0	0	13	0
Bright Glade Health and Rehabilitation	81	0	81	0	0	52	16	52
Civic Health and Rehabilitation Center f/k/a Americare	147	0	17	130	0	102	4	107
Dove Health & Rehab of Collierville, LLC	114	0	114	0	0	59	19	72
Grace Healthcare of Cordova	284	0	284	0	0	130	18	151
Graceland Nursing Center	240	120	0	120	0	141	16	146
Harbor View Nursing and Rehabilitation Center, Inc.	120	0	120	0	0	62	24	72
Highlands of Memphis Health & Rehab	180	0	180	0	0	103	26	118
Kindred Transitional Care and Rehabilitation Center-Primacy	120	120	0	0	0	0	56	28
Kirby Pines Manor	120	30	0	0	90	0	19	89
Memphis Jewish Home	160	0	160	0	0	60	34	77
Methodist Healthcare Skilled Nursing Facility	44	44	0	0	0	0	11	0
MidSouth Health and Rehabilitation Center	155	0	155	0	0	53	15	65
Millington Healthcare Center	85	19	66	0	0	42	17	58
Parkway Health and Rehabilitation Center	120	0	120	0	0	64	15	76
Poplar Point Health and Rehabilitation	169	0	54	115	0	100	13	101
Quality Care Center of Memphis	48	0	48	0	0	32	1	33
Quince Nursing and Rehabilitation Center	188	0	188	0	0	118	28	138
Rainbow Health & Rehab of Memphis, LLC	115	0	115	0	0	69	23	78

The Farms at Bailey Station

CN1311-045

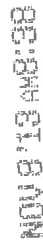
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Nursing Home	Licensed Beds	SNF Beds-Medicare	SNF/NF Beds-Dually Certified	NF Beds-Medicaid	Licensed Only Non Certified	NF-ADC (Medicaid/Level I Only)	SNF Medicare Level II ADC	NF-ADC
Signature Healthcare at St. Francis	197	0	197	0	0	74	54	92
Signature Healthcare at St. Peter Villa	180	0	120	60	0	81	20	102
Signature Healthcare of Memphis	140	0	140	0	0	90	24	100
Spring Gate Nursing and Rehabilitation Center	231	0	143	0	88	138	27	156
The King's Daughters and Sons Home	108	0	108	0	0	49	16	77
The Village at Germantown	30	30	0	0	0	0	23	0
Whitehaven Community Living Center	92	0	92	0	0	68	11	68
Total	4169	422	3064	425	258	2,013	635	2506

Source: *Joint Annual Report of Nursing Homes 2011 (Final)*, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

LETTER OF INTENT



The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before November 10, 2013 for one day.

The anticipated date of filing the application is November 15, 2013.

Signature

11-8-13
Date

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

ORIGINAL APPLICATION

CERTIFICATE OF NEED APPLICATION

FOR

THE FARMS AT BAILEY STATION SNF

**Addition of 30 SNF Beds to a Skilled Nursing Facility
as Part of a Continuing Care Retirement Community**

Shelby County, Tennessee

November 15, 2013

Contact Person:

**Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, Tennessee 37219
615-782-2228**

SECTION A:**APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**

The Farms at Bailey Station Skilled Nursing Facility
Name

Unaddressed site on Crooked Creek Road, off Houston Levee Road, near the intersection of
Houston Levee and Poplar

Street or Route

Shelby

County

Collierville

TN

38017

City

State

Zip Code

2. Contact Person Available for Responses to Questions

Jerry W. Taylor
Name

Attorney
Title

Stites & Harbison, PLLC
Company Name

jerry.taylor@stites.com
Email address

401 Commerce Street, Suite 800
Street or Route

Nashville
City

TN
State

37219

Zip Code

Attorney
Association with Owner

615-782-2228
Phone Number

615-742-0703
Fax Number

3. Owner of the Facility, Agency or Institution

Luke, Inc.
Name

(901) 794-2598
Phone Number

2171 Judicial Drive, Suite 215
Street or Route

Shelby
County

Germantown
City

TN
State

38138
Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship

F. Government (State of TN or

B. Partnership

G. Political Subdivision)

C. Limited Partnership

H. Joint Venture

D. Corporation (For Profit)

I. Limited Liability Company

E. Corporation (Not-for-Profit) ☒

Other (Specify) _____

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.

5. Name of Management/Operating Entity (If Applicable)

Retirement Companies of America, LLC
Name

6465 Quail Hollow Road, Suite 400
Street or Route

Memphis
City

TN
State

Shelby
County
38120
Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of the Management Agreement is attached as Attachment A, 5. Although the agreement is dated April 11, 2005, please note the language in the "Background" section of the Management Agreement (page 1). The term of the agreement commences upon the opening of the CCRC. The initial term is 10 years from the date of opening, with options for extension beyond that.

6. Legal Interest in the Site of the Institution (Check One)

- | | | |
|-------------------------|---|--------------------------|
| A. Ownership | X | D. Option to Lease |
| B. Option to Purchase | | E. Other (Specify) _____ |
| C. Lease of _____ Years | | |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Copies of the deeds to the property are attached as Attachment A, 6.

7. Type of Institution (Check as appropriate--more than one response may apply)

- | | | |
|--|---|---|
| A. Hospital (Specify) _____ | I. Nursing Home | X |
| B. Ambulatory Surgical
Treatment Center (ASTC),
Multi-Specialty | J. Outpatient Diagnostic Center | |
| C. ASTC, Single Specialty | K. Recuperation Center | |
| D. Home Health Agency | L. Rehabilitation Facility | |
| E. Hospice | M. Residential Hospice | |
| F. Mental Health Hospital | N. Non-Residential Methadone
Facility | |
| G. Mental Health Residential
Treatment Facility | O. Birthing Center | |
| H. Mental Retardation
Institutional Habilitation
Facility (ICF/MR) | P. Other Outpatient Facility
(Specify) _____ | |
| | Q. Other (Specify) _____ | |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- A. New Institution
- B. Replacement/Existing Facility
- C. Modification/Existing Facility
- D. Initiation of Health Care
Service as defined in TCA §
68-11-1607(4)
(Specify) _____
- E. Discontinuance of OB Services
- F. Acquisition of Equipment

- G. Change in Bed Complement
[Please note the type of change by
underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]

- H. Change of Location
- I. Other (Specify) _____

30

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9.

Bed Complement Data*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds Licensed</u>	<u>Beds *CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)	0	30	0	30	60
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	0	30	0	30	60

10. **Medicare Provider Number:** To be applied for
Certification Type: Skilled Nursing Facility
11. **Medicaid Provider Number:** N/A
Certification Type:
12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**
The SNF will be certified for Medicare, but not Medicaid.
13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**
UnitedHealthcare
Blue Care
TennCare Select
Will this project involve the treatment of TennCare participants?
No.
If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.
N/A
Discuss any out-of-network relationships in place with MCOs/BHOs in the area.
N/A

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.**

Project Description

The Farms at Bailey Station Skilled Nursing Facility ("FBSSNF" or sometimes "SNF") will be a licensed skilled nursing facility that will be part of a larger Continuing Care Retirement Community ("CCRC"). On June 26, 2013 the Agency approved a certificate of need (CN1303-008A) for the establishment of the SNF and 30 SNF beds. In this application the applicant seeks an additional 30 beds to be part of the SNF. These beds, as is the case with the 30 previously approved, will be certified as Medicare-only and private pay will also be accepted.

The larger CCRC, to be known as The Farms at Bailey Station ("Bailey Station" herein) is a major residential and health care development for the City of Collierville and Southeast Shelby County. It will ultimately include 266 independent living apartments (one, two and three bedrooms), and 63 independent living garden homes. It will also include 63 assisted living units, 23 of which will be in a designated Memory Care unit. The proposed 60 bed SNF will round out the continuum of care. Bailey Station will be situated on approximately 26.3 acres, and the FBSSNF will occupy approximately 9.3 acres of that tract.

Bailey Station will be developed in two phases. Phase I will include construction of the Health Care Center building (which will house the SNF and assisted living), 164 independent living apartments and 63 independent living garden homes. Phase II will add 102 independent living apartments, 63 assisted living units, the 30 previously approved SNF beds, and the proposed additional 30 SNF beds if this application is approved.

As a CCRC The Farms at Bailey Station gives seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and the FBSSNF is a crucial component of the community. Residents of Bailey Station will buy into the community with an entrance fee, the amount of which will be determined by the size and type of unit purchased. Title to the living unit will remain vested in Bailey Station, but the resident will have a life estate (the home is for the resident's exclusive use and benefit during his or her lifetime). Each member will also pay a monthly fee, the amount of which is based on several factors, including the size and type of unit occupied upon entry. As a member of the community,

each resident will be entitled to a bed in the FBSSNF if and when his or her medical needs require a skilled nursing bed. Upon the death of a resident, regardless of whether he or she was a resident in the FBSSNF, the resident's heir(s) is entitled to a monetary payment in an amount calculated in accordance with the resident's contractual agreement.

The other levels of living at the CCRC will be the primary "feeder" for the SNF, after the first several years. The SNF beds will not be strictly limited to residents who are coming from an independent living or assisted living unit in Bailey Station, but eventually approximately 80%-85% of patients are projected to be members of Bailey Station. It is not known at what rate this "intra-community" fill up will occur, but the best estimate is this level will be achieved within 8-10 years. Because of the size and scope of the Bailey Station project, the applicant is requesting a 3 year period of validity for this certificate of need.

Services & Equipment

The FBSSNF will provide both intermediate level and skilled level of nursing services. The facility will have all equipment, facilities and staff needed to provide these services.

Ownership Structure

The owner is Luke, Inc., a not-for-profit corporation located in Memphis. The FBSSNF will be related by common management through Retirement Companies of America to Kirby Pines Manor, a CCRC with a 120 bed SNF which has been successfully operating in Shelby County for over 20 years. The corporate officers of Psalms, Inc. and Luke, Inc. are identical, and there is one common board member. The Farms at Bailey Station is modeled after Kirby Pines Manor.

The FBSSNF, as well as the larger CCRC, will be managed by Retirement Companies of America, ("RCA"). RCA has a 32 year track record of success in the planning, development, marketing, and ongoing management of Continuing Care Retirement Communities. RCA has experienced direct involvement in over 1,500 CCRC units serving over 2,200 Residents, from conception through operational management. In addition, RCA has served in a consulting role for approximately 35 Senior Living Communities around the country in various capacities of development, marketing, and management. The current President and owner of RCA was one of the original founders 32 years ago.

Service Area

The Primary Service Area (PSA) consists of 10 contiguous zip codes in southeast Shelby County. A listing of the zip codes as well as a map showing the location of these zip codes are in Attachment C, I, Need, 3. The FBSSNF will be located in Collierville, 38017.

Shelby County is the Secondary Service Area (SSA), which also encompasses the PSA. Having the entire Shelby County as the SSA is necessary in order to analyze bed need under the Guidelines for Growth, which are based on county-wide bed need and bed inventory.

Both of these service areas are reasonable. The PSA is geographically closest to Bailey Station, and the household incomes of the area (discussed elsewhere) are adequate to support the purchase requirements for residents of Bailey Station. And eventually, 80%-85% of the patients in the FBSSNF will be residents of the Bailey Station CCRC. Shelby County is also a reasonable SSAS. In 2012, 95 of the 106 admissions at Kirby Pines Manor were residents of Shelby County, and it is expected the residents of FBSSNF will likewise be predominantly from Shelby

County.

Need

A SNF is crucial to the success to the CCRC model. Residents are entitled to have access to nursing home care if and when the time comes and the need arises. Eventually approximately 80%-85% of patients are projected to be members of Bailey Station. It is not known at what rate this "intra-community" fill up will occur, but the best estimate is this level will be achieved within 8-10 years.

But not all patients for the FBSSNF will come from one of the other levels of living within Bailey Station; some will come from the community at large. Looking at the need from the perspective of Shelby County as a whole (the SSA), the Guidelines for Growth show that Shelby County is under-bedded for nursing homes beds. According to calculations of the bed need formula by the Division of Health Statistics, there will be a need for 5,094 nursing home beds in Shelby County in 2015. Please see Attachment B, I, 1. According to the Licensure website, there are currently 31 licensed nursing homes with 3,976 beds in Shelby County. However, the 2012 Provisional Joint Annual Reports filings reflect 31 facilities and 3,928 beds. An additional 150 beds have CON approval. Therefore, there is a net need for either an additional 919 beds (based on website bed totals) or an additional 975 beds (based on 2012 JAR bed totals) in Shelby County.

In order to also assess bed need in the PSA, the applicant contracted with MDS Research Company, a well-qualified and respected health planning and demographics analysis company. MDS relied on nationally recognized and accepted Claritas population projections for the 10 zip codes in the PSA and applied those to the bed need formula in the Guidelines for Growth. That analysis found there will be a need for 809 additional nursing home beds in the PSA in 2015. Please see Attachment B, I, 2.

The Agency has previously granted 30 beds for the FBSSNF (CN1303-008A). As disclosed and discussed in that application, it was always the intent of the applicant to have a 60 bed SNF but under the bed pool an applicant can only seek 30 beds from each cycle. Accordingly, the applicant applied for and was granted 30 beds from the FYE 2013 bed pool, and has filed this application for 30 beds from the FYE 2014 bed pool. The need for additional nursing home beds in the service area, the need of the applicant to have a sufficient SNF bed supply, and the economics of the project justify the additional 30 beds sought in this application.

Existing Resources

According to the Licensure website, there are currently 31 licensed nursing homes with 3,976 beds in Shelby County. However, the 2012 Provisional Joint Annual Reports filings reflect 31 facilities and 3,928 beds. The average occupancy rate of the facilities filing JARs in 2012 was 89.3%.

There are three outstanding CONs for nursing home beds in Shelby County (including the 30 beds previously approved for FBSSNF), comprising a total of 150 beds. Except for the 30 FBSSNF beds, none of these CON beds are in the PSA.

Project Cost & Funding

The total estimated project cost is \$6,292,417 exclusive of the filing fee. The largest single cost

component is the construction cost of \$4,384,893. For the 28,372 square feet which will comprise the second floor of the SNF building where these beds will be located, the construction cost per square foot is \$154.55. This is below the median of HSDA-approved cost per square foot for nursing home construction projects for 2010-2012, which is \$167.31 per square foot.

The real property was purchased by the applicant several years ago and the purchase price was fair market value at that time. The land acquisition cost was reflected on the Project Cost Chart for the application for CN1303-008A; it was not possible to allocate part of the land cost for the second floor of the building where these beds will be located. Since that cost has already been approved and the corresponding fee paid with CN1303-008A, there is no land cost allocated on the Project Cost Chart for this application.

The only other capital cost is the movable equipment cost of \$183,000 which represents furniture, fixtures and equipment (FFE). This is a reasonable cost and takes advantage of the purchasing power and vendor relationships of the management company, Retirement Companies of America.

Initial interim financing will be through a commercial loan. Ultimately the intent is to have permanent financing through tax exempt bonds, but that will be at an undetermined point in the future. All financial projections in this application are based on a commercial loan.

Financial Feasibility

This project is economically feasible, and will produce positive operating revenue by Year 2. Although the Projected Data Chart for the 60 bed facility reflects a negative "NOI Less Capital Expenditures" for Year 1, the loss is only a "paper loss" and does not realistically reflect the economic feasibility of the project for several reasons: (1) One-third of this "loss" is represented by depreciation, which is not a cash expense. (2) Two-thirds of the "loss" is represented by interest on the loan. But while the interest on the loan is shown as an expense on the PDC, the loan proceeds (on which the interest is being paid) is not shown as off-setting revenue or as capital. (3) The estimated project costs (which drives the amount of the interim financing loan) include entries for both interim financing interest (Line C, 1), and reserve for one year's debt service (Line C, 3), and some contingent expenses that may not actually be incurred, or at least not in the full amount reflected in the Project Cost Chart. This includes \$219,245 in construction contingency (Line A, 6), and an additional \$271,781 in overall project contingency (Line C, 4). If some or all of these costs are not actually incurred, a corresponding amount of funds will be available from the loan proceeds to cover operational losses.

And if necessary, Psalms, Inc. will provide up to \$500,000 to Luke, Inc. to help cover operational losses. A letter from Psalms Inc. is attached as part of the funding letters attached as Attachment C, II, Economic Feasibility, 2.

Also attached is a Projected Data Chart just for the 30 beds. Looking at just the 30 beds sought by this application in isolation, the Projected Data Chart for the 30 beds also shows a net operating loss in the first year of \$450,402. However, this "loss" also includes depreciation expense and interest on the loan, and is subject to the same explanation as is made above for the 60 bed facility. Considering the available capital and viewed in the light of accepted cash flow analysis this project is economically feasible and will perform well financially.

Staffing

Upon fill-up and stabilization at 92% occupancy, the total patient care nursing staffing will be 32.2 FTEs. This will consist of 4.2 FTE RNs, 11.2 FTE LPNs, and 16.8 FTE CNAs. The rehab and therapies staffing will be contractual.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

If the project involves none of the above, describe the development of the proposal.

The FBSSNF will occupy a single second floor area consisting of approximately 28,372 gross square feet of space. It will be in a structure which will have the assisted living units immediately contiguous, located on the southeast quadrant of the larger Bailey Station campus. All 30 patient rooms will be private rooms and each will include a private rest room and lavatory. The patient rooms will consist of 10,920 square feet of total space. In addition to the patient care areas, the facility will have ample space for resident relaxation, circulation and family visitation.

The SNF and assisted living units will be under one roof, although separated by doors and walls. The independent living units will be separated from the health care center building under different roofs. Please see the site plan submitted with the application.

The total estimated cost of construction for the FBSSNF is \$4,384,893. For the entire 28,372 square foot facility, the construction cost per square foot is \$154.55. A completed Square Footage and Cost Per Square Footage Chart is included on page 12.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

The applicant is seeking 30 skilled nursing beds to be certified for Medicare participation but not for Medicaid/TennCare participation. The Agency has previously granted 30 beds for the FBSSNF (CN1303-008A). As disclosed and discussed in that application, it was

always the intent of the applicant to have a 60 bed SNF, but under the bed pool statute an applicant can only seek 30 beds from each bed pool cycle. Accordingly, the applicant applied for and was granted 30 beds from the FYE 2013 bed pool, and has filed this application for 30 beds from the FYE 2014 bed pool. The need for additional nursing home beds in the service area, the need of the applicant to have a sufficient SNF bed supply, and the economics of the project justify the additional 30 beds sought in this application.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Porch	-	-	-	-	-	511	511	-	\$ 74.50	\$ 74.50
Rehabilitation	-	-	-	-	-	846	846	-	\$ 180.40	\$ 180.40
Office (varies)	-	-	-	-	-	117	117	-	\$ 124.20	\$ 124.20
Lobby	-	-	-	-	-	417	417	-	\$ 189.50	\$ 189.50
Reception	-	-	-	-	-	108	108	-	\$ 196.99	\$ 196.99
Convenience Stair	-	-	-	-	-	131	131	-	\$ 261.10	\$ 261.10
Bathing Spa	-	-	-	-	-	476	476	-	\$ 120.13	\$ 120.13
Resident Laundry	-	-	-	-	-	160	160	-	\$ 120.15	\$ 120.15
Mezzanine	-	-	-	-	-	1118	1118	-	\$ 107.60	\$ 107.60
Household Entrance	-	-	-	-	-	165	165	-	\$ 110.50	\$ 110.50
Resident Bedrooms	-	-	-	-	-	10920	10920	-	\$ 152.50	\$ 152.50
Living Room	-	-	-	-	-	956	956	-	\$ 134.25	\$ 134.25
Dining Room	-	-	-	-	-	962	962	-	\$ 134.25	\$ 134.25
Kitchen	-	-	-	-	-	286	286	-	\$ 310.50	\$ 310.50
Care Station	-	-	-	-	-	54	54	-	\$ 290.47	\$ 290.47
Pantry	-	-	-	-	-	86	86	-	\$ 169.50	\$ 169.50
Powder Room (varies)	-	-	-	-	-	144	144	-	\$ 121.20	\$ 121.20
Clean Utility	-	-	-	-	-	96	96	-	\$ 169.10	\$ 169.10
Medication Room	-	-	-	-	-	96	96	-	\$ 230.50	\$ 230.50
Soiled Utility	-	-	-	-	-	96	96	-	\$ 191.90	\$ 191.90
Seating Area	-	-	-	-	-	284	284	-	\$ 155.50	\$ 155.50
Housekeeping Closet	-	-	-	-	-	27	27	-	\$ 110.20	\$ 110.20
Family Visiting/Den	-	-	-	-	-	178	178	-	\$ 195.75	\$ 195.75
Hospitality Center	-	-	-	-	-	83	83	-	\$ 212.50	\$ 212.50
Nurse Station	-	-	-	-	-	360	360	-	\$ 226.50	\$ 226.50
Beauty Salon	-	-	-	-	-	253	253	-	\$ 315.75	\$ 315.75
Table and Chair Storage	-	-	-	-	-	184	184	-	\$ 110.90	\$ 110.90
Leasable Space	-	-	-	-	-	1587	1587	-	\$ 120.50	\$ 120.50
Multipurpose Room	-	-	-	-	-	1726	1726	-	\$ 197.95	\$ 197.95
Staff Breakroom	-	-	-	-	-	468	468	-	\$ 209.15	\$ 209.15
Staff Bathroom	-	-	-	-	-	85	85	-	\$ 224.49	\$ 224.49
Hallways/Walls/Common	-	-	-	-	-	4156	4156	-	\$ 155.50	\$ 155.50
B. Unit/Dept. GSF Sub-Total										
C. Mechanical/ Electrical GSF										
D. Circulation / Structure GSF										
E. Total GSF						28372	28372		\$ 154.55	\$ 154.55

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

Long-term Care Services:

A SNF is crucial to the success to the CCRC model. Residents are entitled to have access to nursing home care if and when the time comes and the need arises. Eventually approximately 80%-85% of patients are projected to be members of Bailey Station. It is not known at what rate this "intra-community" fill up will occur, but the best estimate is this level will be achieved within 8-10 years.

But not all patients for the FBSSNF will come from one of the other levels of living within Bailey Station; some will come from the community at large. Looking at the need from the perspective of Shelby County as a whole (the SSA), the Guidelines for Growth show that Shelby County is under-bedded for nursing homes beds. According to calculations of the bed need formula by the Division of Health Statistics, there will be a need for 5,094 nursing home beds in Shelby County in 2015. Please see Attachment B, I, 1. According to the Licensure website, there are currently 31 licensed nursing homes with 3,976 beds in Shelby County. However, the 2012 Provisional Joint Annual Reports filings reflect 31 facilities and 3,928 beds. An additional 150 beds have CON approval. Therefore, there is a net need for either an additional 919 beds (based on website bed total) or an additional 975 beds (based on 2012 JAR bed totals) in Shelby County.

In order to also assess bed need in the PSA, the applicant contracted with MDS Research Company, a well-qualified and respected health planning and demographics analysis company. MDS relied on nationally recognized and accepted Claritas population projections for the 10 zip codes in the PSA and applied those to the bed need formula in the Guidelines for Growth. That analysis found there will be a need for 809 additional nursing home beds in the PSA in 2015. Please see Attachment B, I, 2.

The Agency has previously granted 30 beds for the FBSSNF (CN1303-008A). As disclosed and discussed in that application, it was always the intent of the applicant to have a 60 bed SNF, but under the bed pool statute an applicant can only seek 30 beds from each bed pool cycle. Accordingly, the applicant applied for and was granted 30 beds from the FYE 2013 bed pool, and has filed this application for 30 beds from the FYE 2014 bed pool. The need for additional nursing home beds in the service area, the need of the applicant to have a sufficient SNF bed supply, and the economics of the project justify the additional 30 beds sought in this application.

- D. Describe the need to change location or replace an existing facility.**

N/A.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:**

Section II, E is not applicable.

1. **For fixed-site major medical equipment (not replacing existing equipment):**
 - a. **Describe the new equipment, including:**
 1. **Total cost ;(As defined by Agency Rule).**
 2. **Expected useful life;**
 3. **List of clinical applications to be provided; and**
 4. **Documentation of FDA approval.**
 - b. **Provide current and proposed schedules of operations.**
2. **For mobile major medical equipment:**
 - a. **List all sites that will be served;**
 - b. **Provide current and/or proposed schedule of operations;**
 - c. **Provide the lease or contract cost.**
 - d. **Provide the fair market value of the equipment; and**
 - e. **List the owner for the equipment.**
3. **Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. **Size of site (*in acres*);**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

A plot plan is attached as Attachment B, III, A.

- (B) 1. **Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

The Farms at Bailey Station is located on an Unaddressed site on Crooked Creek Road, off Houston Levee Road, near the intersection of Houston Levee and Poplar in Collierville, Tennessee. The Farms at Bailey Station is approximately 2.5 miles directly down Houston Levee from Highway 385(Bill Morris Parkway) and approximately 11.6 miles from I-240. The SNF is located on the southeast quadrant of the development. The site is not accessible by public transportation, except taxi cab.

- IV. **Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

A floor plan is attached as Attachment B, IV.

- V. **For a Home Health Agency or Hospice, identify:**

Section V is N/A.

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2” x 11” white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS

I. NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

NURSING HOME SERVICES

A. Need

1. The need for nursing home beds shall be determined by applying the following population-based statistical methodology:

County bed need = .0005 x pop. 65 and under

.0120 x pop. 65 – 74

.0600 x pop. 75 – 84

.1500 x pop. 85 +

The applicant understands it is acceptable practice to rely on the Department of Health's calculations to nursing home bed need in accordance with the above formula. The Department of Health's calculations are reflected in Attachment B, I, 1. The total bed need for Shelby County in 2016 is 5,094 beds.

2. The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health, Division of Information Resources.

The Department of Health's calculations reflected in Attachment B, I, 1 include projections two years into the future.

3. The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health, Office of Health Policy.

According to the Licensure website, there are currently 31 licensed nursing homes with 3,976 beds in Shelby County. However, the 2012 Provisional Joint Annual Reports filings reflect 31 facilities and 3,928 beds. An additional 150 beds have CON approval. Therefore, there is a net need for either an additional 919 beds (based on website bed total) or an additional 975 beds (based on 2012 JAR bed totals) in Shelby County.

4. "Service Area" shall mean the county or counties represented on an application as the reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside.

The Primary Service Area (PSA) consists of 10 contiguous zip codes in southeast Shelby County. A listing of the zip codes as well as a map showing the location of these zip codes are in Attachment C, I, Need, 1, (a) 3. The FBSSNF will be located in Collierville, 38017.

Shelby County is the Secondary Service Area (SSA), which also encompasses the PSA. Having the entire Shelby County as the SSA is necessary in order to analyze bed need under the Guidelines for Growth, which are based on county-wide bed need and bed count. A map of the SSA is attached as Attachment C, I, Need, 3.

Both of these service areas are reasonable. The PSA is geographically closest to Bailey Station, and the household incomes of the area (discussed elsewhere) are adequate to support the purchase requirements for residents of Bailey Station. Shelby County is also a reasonable SSA. In 2012, 95 of the 106 admissions at Kirby Pines Manor were residents of Shelby County and it is expected the residents of FBSSNF will likewise be predominantly from Shelby County.

5. A majority of the population of a service area for any nursing home should be within 30 minutes travel time from that facility.

Eventually, 80%-85% of the patients in the FBSSNF are expected to be residents of the larger CCRC on the same campus as the SNF. For the immediate future, 65%-75% are expected to come from the PSA, which is all significantly under a 30 minute drive time.

6. The Health Facilities Commission may approve new nursing home beds in excess of the need formula for a service area if the following criteria are met:

The need formula shows a need for an additional 919-975 beds, so the exception criteria need not be met.

a. All outstanding CON projects in the proposed service area resulting in a net increase in beds are licensed and in operation; and

N/A. The need formula shows a need for an additional 919-975 beds, so the exception criteria need not be met.

b. All nursing homes in the proposed service area are utilized at an average occupancy rate of at least 95%.

N/A. The need formula shows a need for an additional 919-975 beds, so the exception criteria need not be met.

B. Occupancy and Size Standards:

1. A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90% after two years of operation.

The applicant projects achieving and maintaining a 90% occupancy rate after the first 2 years of operation.

2. There shall be no additional nursing home beds approved for a service area unless each existing facility has achieved an average annual occupancy rate of 95 percent. The circumstances of any nursing home which has been identified by the Regional Quality Assurance Administrator as consistently non-complying with quality assurance regulations shall be considered in determining the service areas (sic) average occupancy rate.

Although every existing facility has not maintained a 95% occupancy rate, the Guidelines for Growth reflect a need for an additional 919-975 nursing home beds in 2015. Therefore, this project should be regarded as an exception to this particular provision.

3. A nursing home seeking approval to expand its bed capacity must have maintained an occupancy rate of 95 percent for the previous year.

N/A. This is a proposed new facility

4. A free-standing nursing home shall have a capacity of at least 30 beds in order to be approved. The Health Facilities Commission may make an exception to this standard. A facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.

If this application is granted, the FBSSNF will have a total of 60 beds. Furthermore, the SNF will be part of a CCRC.

[End of Responses to Nursing Home Services Guidelines]

In addition to the facility and service-specific standards addressed immediately above, the State Health Plan includes Five Principles for Achieving Better Health, applicable to all facilities and services. These are addressed below.

Five Principles for Achieving Better Health from the Tennessee State Health Plan:

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

The FBSSNF will provide quality health care services to its patients and residents and therefore furthers this goal.

2. Access to Care

Every citizen should have reasonable access to health care.

The FBSSNF will provide an additional care option for seniors needing skilled nursing care and therefore furthers this goal.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.

The FBSSNF will not participate in TennCare, so no state funding will be involved in this project. The owner and management company have experience in operating a successful CCRC (Kirby Pines Manor) for over 20 years, and this facility will likewise

be economically efficient.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

Licensure by the Department of Health will ensure monitoring by the State of Tennessee and compliance with quality standards by the facility.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

This project will result in the creation of new jobs. This includes approximately 17 full time equivalent nursing positions in Year 1, as well as other clerical and administrative staff.

[End of Responses to "Five Principles for Achieving Better Health."]

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)**

N/A.

- 2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

The long term goal of developing the complete CCRC at the Farms at Bailey Station has been previously described and discussed in this application.

- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"**

The Primary Service Area (PSA) consists of 10 contiguous zip codes in southeast Shelby County. A listing of the zip codes as well as a map showing the location of these zip codes are in Attachment C, I, Need, 1, (a), 3. The FBSSNF will be located in Collierville, 38017.

Shelby County is the Secondary Service Area (SSA), which also encompasses the PSA. Having the entire Shelby County as the SSA is necessary in order to analyze bed need under the Guidelines for Growth, which are based on county-wide bed need and bed count.

Both of these service areas are reasonable. The PSA is geographically closest to Bailey Station, and the household incomes of the area (discussed elsewhere) are adequate to support the purchase requirements for residents of Bailey Station. Shelby County is also a reasonable SSA. In 2012, 95 of the 106 admissions at Kirby Pines Manor were residents of Shelby County and it is expected the residents of FBSSNF will likewise be predominantly from Shelby County .

A map of the service area is attached as Attachment C, I, Need, 3.

4. A. Describe the demographics of the population to be served by this proposal.

A table reflecting the population and demographics of the service areas is attached as Attachment C, I, Need, 4.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The Farms at Bailey Station fills a special need for a care alternative and a continuum of care for seniors. As a CCRC The Farms at Bailey Station gives seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and the FBSSNF is a crucial component of the community. Some notable demographic characteristics of the PSA population include the following:

- The 65+ population for the PSA is projected to grow by 11% 2014-2016, almost double the rate for Shelby County and for the State as a whole (each 6%). The 65+ population is the target patient population for the SNF beds.
- The PSA has a median household income well above that of Shelby County, and the state as a whole. The median household income of the PSA is \$70,024 annually, compared to \$46,102 for Shelby county and \$43,989 for the state as a whole. This is significant in that the residents of the PSSA will have the financial resources required for the higher room and board charges for the SNF beds in the CCRC.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

According to the Licensure website, there are currently 31 licensed nursing homes with 3,976 beds in Shelby County. However, the 2012 Provisional Joint Annual Reports filings reflect 31 facilities and 3,928 beds. The average occupancy rate of the facilities filing JARs in 2012 was 89.3%. Utilization data for each facility, taken from the JARs for the past 3 reporting years ('10-'12), in the format customarily requested by the HSDA staff, are attached as Attachment C, I, Need, 5.

Almost all of these are traditional nursing home models. There is only one other CCRC nursing facility in the primary service area, and that is The Villages at Germantown. Its annual occupancy averaged 87.8% 2010-2012. The other CCRC most relevant to this application is Kirby Pines Manor, a related facility in Shelby County. Kirby Pines Manor' average occupancy rate has exceeded 90% for each of the past three years: 2010 = 92.6%; 2011 = 96.3%; 2012= 97.5%. The FBSSNF will be closely modeled after the highly successful Kirby Pines Manor and projects high occupancy rates after roughly 6 months of opening.

- 6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

This is a proposed new facility so there is no historical occupancy data. Utilization data for the related facility, Kirby Pines Manor, is included in Attachment C, I, Need, 5. Kirby Pines Manor' average occupancy rate has exceeded 90% for each of the past three years: 2010 = 92.6%; 2011 = 96.3%; 2012= 97.5%

The projected utilization for the 60 bed facility is as follows:

<u>Year</u>	<u>Patient Days</u>	<u>Average Annual Occupancy</u>
Year 1:	10,995	50.2%
Year 2:	20,075	91.7%

Since this is a new nursing home facility, there is no past history to draw upon to project its occupancy. The following points were the only factors that could really be used in estimating the anticipated occupancy in the first ten months of operation.

- The facility is located where the 65+ population in the PSA is projected to grow by 11% from 2014 to 2016, a rate that is almost double the projected growth rate of both Shelby County and the State of Tennessee.

- The median PSA household income is well above that of Shelby County and the state as a whole. Thus, potential residents will be much more likely to accept the higher patient day charges which range from \$13.47 to \$177.57 more than existing facilities in the service area, particularly when you consider that all 60 rooms are private.
- Most new rooms being built or renovated are now private versus semi-private both in nursing homes and hospitals reflecting a change in family preference and a need for this type facility in this service area.
- A large hospital with only private rooms is less than 5 miles away, so the projected fill up rate and occupancy of the SNF with all private beds does not seem unreasonable.
- Being a new facility will draw attention to its availability and location for both short and long term occupancy.

Given the above facts, the following is how the occupancy ramps up in the initial year of operation:

MONTH	PATIENT DAYS			OCCUPANCY
	<u>MEDICARE</u>	<u>PRIVATE</u>	<u>CUMULATIVE</u>	<u>AVG. ANNUAL</u>
JANUARY	155	31	186	0.85%
FEBRUARY	224	28	252	1.15%
MARCH	372	62	434	1.98%
APRIL	480	60	540	2.47%
MAY	620	93	713	3.26%
JUNE	750	90	840	3.84%
JULU	868	124	992	4.53%
AUGUST	992	124	1,116	5.10%
SEPTEMBER	1,080	150	1,230	5.62%

OCTOBER	1,240	217	1,457	6.65%
NOVEMBER	1,230	300	1,530	6.99%
DECEMBER	1,302	403	1,705	7.79%
Annual	9,313	1,682	10,995	50.21%

II. ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

A completed Project Costs Chart is on the following page. The total estimated project cost is \$6,292,417 exclusive of the filing fee. The largest single cost component is the construction cost of \$4,384,893. For the 28,372 square footage facility, the construction cost per square foot is \$154.55. This is below the median new construction cost for nursing homes approved by the HSDA for the years 2010-2012. That median cost for new nursing home construction is \$167.31 per square foot.

A letter from the project architect verifying the square footage and estimated construction cost is attached as Attachment C, II, Economic Feasibility, 1.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees	\$	241,169
2. Legal, Administrative, Consultant Fees		197,320
3. Acquisition of Site		-
4. Preparation of Site		-
5. Construction Costs		4,384,893
6. Contingency Fund		219,245
7. Fixed Equipment (Not included in Construction Contract)		-
8. Moveable Equipment (List all equipment over \$50,000.00)		183,000
9. Other (Specify) <u>Pre-Lease Marketing</u>		210,000
B. Acquisition by gift donation, or lease:		
1. Facility (Inclusive of building and land)		-
2. Building Only		-
3. Land Only		-
4. Equipment (Specify) _____		-
5. Other (Specify) _____		-
C. Financing Costs and Fees:		
1. Interim Financing		285,370
2. Underwriting Costs		-
3. Reserve for One Year's Debt Service		299,639
4. Other (Specify) <u>Overall Project Contingency</u>		271,781
D. Estimated Project Cost (A+B+C)		6,292,417
E. CON Filing Fee		14,158
F. Total Estimated Project Cost (D & E)		6,306,575
TOTAL		\$ 6,306,575

2. Identify the funding sources for this project.
- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)
- ☒ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☐ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

Initial interim financing will be through a commercial loan. Ultimately the intent is to have permanent financing through tax exempt bonds, but that will be at an undetermined point in the future. All financial projections are based on a commercial loan. A funding letter for the interim financing is attached as Attachment C, II, Economic Feasibility, 2. Also attached is a letter verifying that Psalms, Inc. will make available up to \$500,000 to Luke, Inc. to cover operational losses in Year 1 if necessary.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The total estimated project cost is \$6,292,417. The largest single cost component is the construction cost of \$4,384,893. For the 28,372 square footage facility, the construction cost per square foot is \$154.55. The median HSDA-approved cost per square foot for nursing home construction projects for 2010-2012 is as follows:

Nursing Home Construction Cost Per Square Foot

Years: 2010 – 2012

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$19.30/sq ft	\$164.57/sq ft	\$73.23/sq ft
Median	\$35.76/sq ft	\$167.31/sq ft	\$164.57/sq ft
3rd Quartile	\$55.00/sq ft	\$181.72/sq ft	\$167.61/sq ft

Source: CON approved applications for years 2010 through 2012; HSDA Staff

The estimated cost of \$154.55 per square foot is below the median approved by the HSDA for new nursing home construction during 2010-2012.

The real property was purchased by the applicant several years ago and the purchase price was fair market value at that time. The land acquisition cost was reflected on the Project Cost Chart for the application for CN1303-008A; at the time there was no way to allocate part of the land cost for the second floor of the building here these beds will be located. Since that cost has already been approved and the corresponding fee paid with CN1303-008A, there is no land cost allocated on the Project Cost Chart for this application.

The only other capital cost is the movable equipment cost of \$183,000.00 which represents furniture, fixtures and equipment (FFE). This is a reasonable cost and takes advantage of the purchasing power and vendor relationships of the management company, Retirement Companies of America.

4. **Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

This is a proposed new facility, so there is no Historical Data Chart.

A completed Projected Data Chart for the entire 60 bed facility and for the 30 new beds requested are attached on the following pages.

LUKE, INC.
d/b/a The Farms at Bailey Station
PROJECTED DATA CHART
60 BEDS

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Give information for the two (2) years following completion of this proposal. The fiscal year begins in _____.

	Year 1	Year 2
A. Utilization/Occupancy Data (Patient Days).	10,995	20,075
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 6,625,761	\$ 11,573,838
2. Outpatient Services	-	-
3. Emergency Services	-	-
4. Other Operating Revenue (Specify) _____	-	-
Gross Operating Revenue	6,625,761	11,573,838
C. Deductions from Operating Revenue		
1. Contractual Adjustments	1,898,015	3,192,399
2. Provisions for Charity Care	-	-
3. Provisions for Bad Debt	3,600	4,800
Total Deductions	1,901,615	3,197,199
NET OPERATING REVENUE	4,724,146	8,376,639
D. Operating Expenses		
1. Salaries and Wages	1,606,881	2,049,630
2. Physicians' Salaries and Wages	12,000	12,000
3. Supplies	468,400	798,038
4. Taxes	274,893	313,582
5. Depreciation	340,000	340,000
6. Rent	-	-
7. Interest, other than Capital	-	-
8. Management Fees:		
a. Fees to Affiliates	103,236	103,236
b. Fees to Non-Affiliates	17,360	17,360
9. Other Expenses	2,235,003	3,560,746
Specify: <u>See Attached</u>		
Total Operating Expenses	5,057,773	7,194,592
E. Other Revenue (Expenses)--Net	-	-
Specify: _____		
NET OPERATING INCOME (LOSS)	(333,627)	1,182,047
F. Capital Expenditures		
1. Retirement of Principal	-	-
2. Interest	680,500	680,500
Total Capital Expenditures	680,500	680,500
NET OPERATING INCOME (LOSS)	(333,627)	1,182,047
LESS CAPITAL EXPENDITURES	680,500	680,500
NOI LESS CAPITAL EXPENDITURES	\$ (1,014,127)	\$ 501,547

LUKE, INC.
d/b/a The Farms at Bailey Station
Other Expenses--Line 9
Years 1 & 2
60 BEDS

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<u>Description</u>	<u>Year 1</u>	<u>Year 2</u>
Employee Health and Worker's Comp. Insurance	\$ 216,864	\$ 274,764
Licenses, Fees and Dues	3,975	3,975
Property & Liability Insurance	99,600	120,000
Physical, Occupational & Speech Therapy	1,802,422	3,029,465
Radiology, Lab, & Other Medical Services	28,200	36,000
Repairs & Maintenance	14,282	14,282
Telephone	5,460	5,460
Training, Seminars, Travel & Lodging	7,200	7,200
Utilities & Waste Services	57,000	69,600
Total Other Expenses--Line 9	\$ 2,235,003	\$ 3,560,746

LUKE, INC.
d/b/a The Farms at Bailey Station
Other Expenses--Line 9
PROJECTED DATA CHART
2nd 30 BEDS

 60:24:51:10M
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Give information for the two (2) years following completion of this proposal. The fiscal year begins in _____.

	YEAR 1	YEAR 2
A. Utilization/Occupancy Data (Patient Days).	3,330	9,855
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 1,902,731	\$ 5,773,732
2. Outpatient Services	-	-
3. Emergency Services	-	-
4. Other Operating Revenue (Specify) _____	-	-
Gross Operating Revenue	1,902,731	5,773,732
C. Deductions from Operating Revenue		
1. Contractual Adjustments	485,825	1,601,289
2. Provisions for Charity Care	-	-
3. Provisions for Bad Debt	1,200	2,400
Total Deductions	487,025	1,603,689
NET OPERATING REVENUE	1,415,706	4,170,043
D. Operating Expenses		
1. Salaries and Wages	495,506	870,734
2. Physicians' Salaries and Wages	-	-
3. Supplies	129,906	395,552
4. Taxes	110,745	144,078
5. Depreciation	162,000	162,000
6. Rent	-	-
7. Interest, other than Capital	-	-
8. Management Fees:		
a. Fees to Affiliates	99,020	99,020
b. Fees to Non-Affiliates	-	-
9. Other Expenses		
Specify: See Attached	581,579	1,737,006
Total Operating Expenses	1,578,756	3,408,390
E. Other Revenue (Expenses)--Net	-	-
Specify: _____		
NET OPERATING INCOME (LOSS)	(163,050)	761,653
F. Capital Expenditures		
1. Retirement of Principal	-	-
2. Interest	315,500	315,500
Total Capital Expenditures	315,500	315,500
NET OPERATING INCOME (LOSS)	(163,050)	761,653
LESS CAPITAL EXPENDITURES	315,500	315,500
NOI LESS CAPITAL EXPENDITURES	\$ (478,550)	\$ 446,153

LUKE, INC.
d/b/a The Farms at Bailey Station
Other Expenses--Line 9
Years 1 & 2
2nd 30 BEDS

6074615400

<u>Description</u>	<u>YEAR 1</u>	<u>YEAR 2</u>
Employee Health and Worker's Comp. Insurance	\$ 27,492	\$ 82,896
Licenses, Fees and Dues	1,855	1,855
Property & Liability Insurance	37,200	57,600
Physical, Occupational & Speech Therapy	497,972	1,557,195
Radiology, Lab, & Other Medical Services	3,000	10,800
Repairs & Maintenance	3,840	3,840
Telephone	1,320	1,320
Training, Seminars, Travel & Lodging	1,100	1,100
Utilities & Waste Services	7,800	20,400
Total Other Expenses--Line 9	\$ 581,579	\$ 1,737,006

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

As calculated from the Projected Data Chart for Year 1 for the entire 60 bed facility:

Average Gross Charge:	\$602.62
Average Deduction:	\$172.95
Average Net Charge:	\$429.66

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Private Pay Residents:

Life Care Resident:	\$268.00 per day
Private Room:	\$298.00 per day
Private Suite:	\$338.00 per day

Medicare Residents:

Private Room:	\$329.00 per day
Private Suite:	\$369.00 per day

This is a proposed new facility, so there are no current charges.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

The following reflect the average charges per patient day of facilities located in the Collierville area. These are calculated from the 2012 JARs. Of these, only the Villages at Germantown is a CCRC and therefore the most closely comparable to FBSSNF.

<u>Facility</u>	<u>Avg. Net Charge</u>
FBSSNF (2016)	\$429.66 per patient day
Village at Germantown (Provisional 2012)	\$234.31 per patient day
Applingwood (Provisional 2012)	\$259.55 per patient day
Dove Healthcare (Provisional 2012)	\$237.30 per patient day

Memphis Jewish Home (Provisional 2012) \$263.35 per patient day

Although the FBSSNF average charges are higher than the comparables, it should be taken into account that (1) the comparable charges are for 2012, whereas the FBSSNF projected charges are for 2016; (2) FBSSNF will have a higher mix of skilled Level II and rehab patients than those listed which results in higher average charges per day; (3) FBSSNF will not participate in Medicaid, which result in higher per day net charges.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

The applicant is projecting 10,995 patient days in Year 1, for an average annual occupancy rate of 50.2%. The applicant projects 20,075 patient days in Year 2, for an average annual occupancy rate of 91.6%. The projected utilization is sufficient to render the project financially feasible as discussed below.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

This project is economically feasible, and will produce positive operating revenue by Year 2. Although the Projected Data Chart for the 60 bed facility reflects a negative "NOI Less Capital Expenditures" for Year 1, the loss is only a "paper loss" and does not realistically reflect the economic feasibility of the project for several reasons: (1) One-third of this "loss" is represented by depreciation, which is not a cash expense. (2) Two-thirds of the "loss" is represented by interest on the loan. But while the interest on the loan is shown as an expense on the PDC, the loan proceeds (on which the interest is being paid) is not shown as off-setting revenue or as capital. (3) The estimated project costs (which drives the amount of the interim financing loan) include entries for both interim financing interest (Line C, 1), and reserve for one year's debt service (Line C, 3), and some contingent expenses that may not actually be incurred, or at least not in the full amount reflected in the Project Cost Chart. This includes \$219,245 in construction contingency (Line A, 6), and an additional \$271,781 in overall project contingency (Line C, 4). If some or all of these costs are not actually incurred, a corresponding amount of funds will be available from the loan proceeds to cover operational losses.

And if necessary, Psalms, Inc. will provide up to \$500,000 to Luke, Inc. to help cover operational losses. A letter from Psalms Inc. is attached as part of the funding letters attached as Attachment C, II, Economic Feasibility, 2.

Also attached is a Projected Data Chart just for the 30 beds. Looking at just the 30 beds sought by this application in isolation, the Projected Data Chart for the 30 beds also shows a net operating loss in the first year of \$450,402. However, this "loss" also includes depreciation expense and interest on the loan, and is subject to the same explanation as is made above for the 60 bed facility. Considering the available

capital and viewed in the light of accepted cash flow analysis this project is economically feasible and will perform well financially.

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

FBSSNF will participate in Medicare, but will not participate in Medicaid/TennCare. The owner Luke, Inc. is a not-for-profit corporation, but the CCRC model is not intended to serve the medically indigent. The target population is middle and upper-middle class individuals who have the resources to pay the entrance fee and monthly fees.

The projected payor mix for Year 1 is:

Medicare	85%
Private Pay:	15%

The estimated revenue from Medicare in Year 1 is \$4,015,524.

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

The applicant is a start-up company and does not have any financial statements. It is not a subsidiary of a parent company. It is affiliated with Psalms, Inc. by the two organizations' common management company, Retirement Communities of America, and by the fact it has identical corporate officers, and one common board member. A copy of the financial statements for Psalms, Inc. is attached as Attachment C, III, Economic Feasibility, 10.

11. **Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
 - a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the**

applicant should justify why not; including reasons as to why they were rejected.

The CCRC model is unique, and fills an important niche in the senior care consortium. It affords seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and a SNF is a crucial component of the continuum of care. For this reason, there is no practical alternative to having a SNF on site in the CCRC.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Please see the immediately preceding response. There is no practical alternative to new construction. The Farms at Bailey Station is a major new development in the City of Collierville and east Shelby County, and has the strong support of the government and the citizens of the area.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

A list is attached as Attachment C, III, Orderly Development, 1.

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

The Farms at Bailey Station will have a positive effect on the health care system. It fills a need for a care alternative and a continuum of care for seniors. As a CCRC the Farms at Bailey Station gives seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and the FBSSNF is a crucial component of the community. Residents of Bailey Station will buy into the community with an entrance fee, the amount of which will be determined by the size and type of unit purchased. Title to the living unit will remain vested in Bailey Station, but the resident will have a life estate (the home is for the resident's exclusive use and benefit during his or her lifetime). Each member will also pay a monthly fee,

the amount of which is based on several factors, including the size and type of unit occupied upon entry. As a member of the community, each resident will be entitled to a bed in the FBSSNF if and when his or her medical needs require a skilled nursing bed. Upon the death of a resident, regardless of whether he or she was a resident in the FBSSNF, the resident's heir(s) is entitled to a monetary payment in an amount calculated in accordance with the resident's contractual agreement.

Not all patients for the FBSSNF will come from one of the other levels of living within Bailey Station; some will come from the community at large. This is especially true during the first several years of operations. Eventually approximately 80%-85% of patients are projected to be members of Bailey Station. It is not known at what rate this "intra-community" fill up will occur, but the best estimate is this level will be achieved within 8-10 years.

According to the Licensure website, there are currently 31 licensed nursing homes with 3,976 beds in Shelby County. However, the 2012 Provisional Joint Annual Reports filings reflect 31 facilities and 3,928 beds. The average occupancy rate of the facilities filing JARs in 2012 was 89.3%. Utilization data for each facility, taken from the JARs for the past 3 reporting years (2010-2012), in the format customarily requested by the HSDA staff, is attached as Attachment C, I, Need, 5.

Almost all of these are traditional nursing home models. There is only one other CCRC nursing facility in the primary service area, and that is The Villages at Germantown. Its annual occupancy averaged 87.8% 2010-2012. The other CCRC most relevant to this application is Kirby Pines Manor, a related facility in Shelby County. Kirby Pines Manor' average occupancy rate has exceeded 90% for each of the past three years: 2010 = 92.6%; 2011 = 96.3%; 2012= 97.5%. The FBSSNF will be closely modeled after the highly successful Kirby Pines Manor and projects high occupancy rates after roughly 6 months of opening.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

The following is the projected staffing upon fill-up and stabilization at 92% occupancy:

	2nd 30 Beds		60 Beds		
POSITION	FTE	SALARY	FTE	SALARY	MEDIAN WAGE

RN--REG	2.00	\$ 145,600	3.00	\$ 218,400	\$59,706 per FTE
RN--W/E	0.80	\$ 65,520	1.20	\$ 109,200	\$59,706 per FTE
LPN--REG	4.00	\$ 166,400	8.00	\$ 332,800	\$40,735 per FTE
LPN--W/E	1.60	\$ 66,560	3.20	\$ 166,400	\$40,735 per FTE
CNA--REG	5.00	\$ 104,000	12.00	\$ 249,600	\$22,516 per FTE
CNA--W/E	2.00	\$ 37,440	4.80	\$ 124,800	\$22,516 per FTE
TOTAL	15.40		32.20		

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

The applicant does not anticipate difficulty filling positions needed for FBSSNF. In addition to meeting a need for SNF beds as part of a CCRC, this project will also bring a community benefit of creating jobs in a still difficult economy. The FBSSNF will comply with all licensing requirements of the Department of Health.

- 5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The management company for the FBSSNF, Retirement Companies of America, is an experienced long term care management company. It has managed the highly successful Kirby Pines Manor SNF for over 20 years. RCA is very familiar with all applicable regulations and licensing requirements related to staffing and operations, and will fully implement and assure compliance with same.

- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

N/A. This is a proposed new facility. The owner would favorably consider such opportunities in the future.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

The applicant verifies it has reviewed and understands the licensure requirements of the Department of Health and/or any applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Department of Health, Board for Licensing Health Care Facilities.

Accreditation: None.

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

N/A. This is a proposed new facility.

8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

N/A. This is a proposed new facility.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

None.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

None.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

The applicant will do so.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The Notice of Intent was published in the Commercial Appeal, a newspaper of general circulation in Shelby County, Tennessee on November 10, 2013. A Publisher's Affidavit is attached.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

A completed Project Completion Forecast Chart is attached on the following page.

2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Due to the size and complexity of the overall project, and the need to pre-sale some of the independent living units, the applicant requests an initial 3 year period of validity for the certificate of need.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):
February, 2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	210	Sept., 2014
2. Construction documents approved by the Tennessee Department of Health	335	Jan., 2015
3. Construction contract signed	365	Feb., 2015
4. Building permit secured	425	April 2015
5. Site preparation completed	485	June, 2015
6. Building construction commenced	515	July, 2015
7. Construction 40% complete	695	Jan., 2016
8. Construction 80% complete	720	July, 2016
9. Construction 100% complete (approved for occupancy)	780	Sept., 2016
10. *Issuance of license	840	Nov., 2016
11. *Initiation of service	840	Nov., 2016
12. Final Architectural Certification of Payment	870	Dec., 2016
13. Final Project Report Form (HF0055)	960	Mar., 2017

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

The Commercial Appeal Affidavit of Publication

STATE OF TENNESSEE COUNTY OF SHELBY

Personally appeared before me, Patrick Maddox, a Notary Public, Helen Curl, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached notice was published in the following editions of The Commercial Appeal to-wit:

November 10, 2013

Helen Curl

Subscribed and sworn to before me this 11th day of November, 2013.

Patrick Maddox

Notary Public

My commission expires

2/15/14

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-1601, et seq. and the Rules of the Health Services and Development Agency, that The Farms at Bailey Station SHF, owned by Luke, Inc., a Tennessee nonprofit corporation, to be managed by Retirement Companies of America, LLC, intends to file an application for a Certificate of Need for the addition of 30 skilled nursing beds to be certified for Medicare participation, to be part of the 30 bed skilled nursing facility approved by certificate of need CN1303-008A. If this application is approved, the skilled nursing facility will have a total of 60 skilled nursing beds. The skilled nursing facility will be part of a continuing care retirement community which will include skilled nursing beds, assisted living beds and units and independent living units for seniors to be located on an unaddressed site on Crooked Creek Road just off Houston Levee Road, near the intersection of Houston Levee and Poplar in Collierville, Shelby County, Tennessee. The skilled nursing beds will be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities. Services to be provided in the proposed beds include a full range of skilled nursing services, including intermediate level and skilled level nursing, as well as rehabilitation and therapy services. The estimated project cost is \$7,250,000.00.

The anticipated date of filing the application is November 15, 2013.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, SunTrust Plaza, Suite 800, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Tennessee Health Services and Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street, Nashville, TN 37243

Pursuant to T.C.A. § 68-11-1607(c) (1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

LIST OF ATTACHMENTS

Organizational Documentation	<u>Attachment A, 4</u>
Management Agreement	<u>Attachment A, 5</u>
Warranty Deed	<u>Attachment A, 6</u>
Bed Need Calculation, Division of Health Statistics	<u>Attachment B, I, 1</u>
PSA Bed Need Calculation	<u>Attachment B, I, 2</u>
Plot Plan	<u>Attachment B, III, A</u>
Floor Plan	<u>Attachment B, IV</u>
PSA Zip Codes and Map	<u>Attachment C, I, Need, 1, (a), 3</u>
Map of the Service Area	<u>Attachment C, I, Need, 3</u>
Population and Demographics Table	<u>Attachment C, I, Need, 4</u>
Utilization Data for Shelby County Nursing Homes	<u>Attachment C, I, Need, 5</u>
Architect Letter	<u>Attachment C, II, Economic Feasibility, 1</u>
Funding Letters	<u>Attachment C, II, Economic Feasibility, 2</u>
Financial Statements	<u>Attachment C, III, Economic Feasibility, 10</u>
Health Care Provider Contract List	<u>Attachment C, III, Orderly Development, 1</u>

**NURSING HOME BED NEED BASED UPON THE OLD RATIO STANDARDS
METHODOLOGY USED FOR MEDICARE BEDS NEED CALCULATIONS,
BY COUNTY AND STATE TOTAL, 2016 (Based on 2013 Population Series)**

COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED
STATE	6,710,579	45,062	HAMBLETON	64,799	515	MORGAN	21,909	147
ANDERSON	77,273	713	HAMILTON	350,924	2,699	OBION	31,297	267
BEDFORD	48,881	306	HANCOCK	6,616	57	OVERTON	22,711	186
BENTON	16,177	163	HARDEMAN	26,164	191	PERRY	8,057	77
BLED SOE	12,586	98	HARDIN	26,128	244	PICKETT	4,968	55
BLOUNT	131,635	1,059	HAWKINS	57,889	502	POLK	16,566	139
BRADLEY	105,418	744	HAYWOOD	18,019	129	PUTNAM	79,829	537
CAMPBELL	42,056	327	HENDERSON	28,384	213	RHEA	34,128	270
CANNON	14,332	116	HENRY	32,852	310	ROANE	54,191	524
CARROLL	27,947	255	HICKMAN	24,527	179	ROBERTSON	72,431	284
CARTER	57,448	504	HOUSTON	8,421	74	RUTHERFORD	311,089	1,303
CHEATHAM	40,315	171	HUMPHREYS	18,525	162	SCOTT	21,912	159
CHESTER	17,731	131	JACKSON	11,428	97	SEQUATCHIE	15,506	123
CLAIBORNE	32,921	251	JEFFERSON	55,255	430	SEVIER	97,458	737
CLAY	7,672	74	JOHNSON	18,090	161	SHELBY	949,178	5,094
COCKE	37,652	284	KNOX	464,613	3,166	SMITH	19,928	135
COFFEE	55,438	332	LAKE	9,605	53	STEWART	13,764	108
CROCKETT	14,620	119	LAUDERDALE	27,188	171	SULLIVAN	160,039	1,602
CUMBERLAN	58,913	700	LAWRENCE	42,394	349	SUMNER	177,876	1,148
DAVIDSON	669,733	3,617	LEWIS	12,132	99	TIPTON	65,680	359
DECATUR	11,938	118	LINCOLN	34,983	209	TROUSDALE	8,368	54
DEKALB	19,040	149	LOUDON	52,058	560	UNICOI	18,451	186
DICKSON	51,393	258	MCMINN	53,717	451	UNION	19,410	135
DYER	38,301	282	MCNAIRY	26,950	226	VAN BUREN	5,446	46
FAYETTE	42,805	304	MACON	23,654	161	WARREN	40,832	309
FENTRESS	18,699	148	MADISON	100,337	679	WASHINGTON	134,588	1,006
FRANKLIN	41,594	322	MARION	28,776	231	WAYNE	16,797	137
GIBSON	51,695	426	MARSHALL	31,570	213	WEAKLEY	39,030	279
GILES	29,290	246	MAURY	82,752	570	WHITE	27,387	229
GRAINGER	23,357	177	MEIGS	12,445	101	WILLIAMSON	212,938	1,100
GREENE	70,858	614	MONROE	47,049	381	WILSON	128,805	801
GRUNDY	13,307	115	MONTGOMERY	194,363	766			
			MOORE	6,378	54			

SOURCE: TENNESSEE DEPARTMENT OF HEALTH, DIVISION OF POLICY, PLANNING AND ASSESSMENT,
OFFICE OF HEALTH STATISTICS.

10/22/2013

EXHIBIT 1

ANALYSIS OF POPULATION BY AGE COHORT
IN COLLIERVILLE PRIMARY MARKET AREA

<u>Age Cohort</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>
Under 65	260,338	263,703	267,112
65 to 74	21,002	23,727	26,808
75 to 84	8,856	9,551	10,301
85 and over	3,163	3,355	3,559

Source: Claritas
MDS Analysis

EXHIBIT 2

STATE OF TENNESSEE NURSING BED ANALYSISAPPLIED TO COLLIERVILLE PRIMARY MARKET AREA

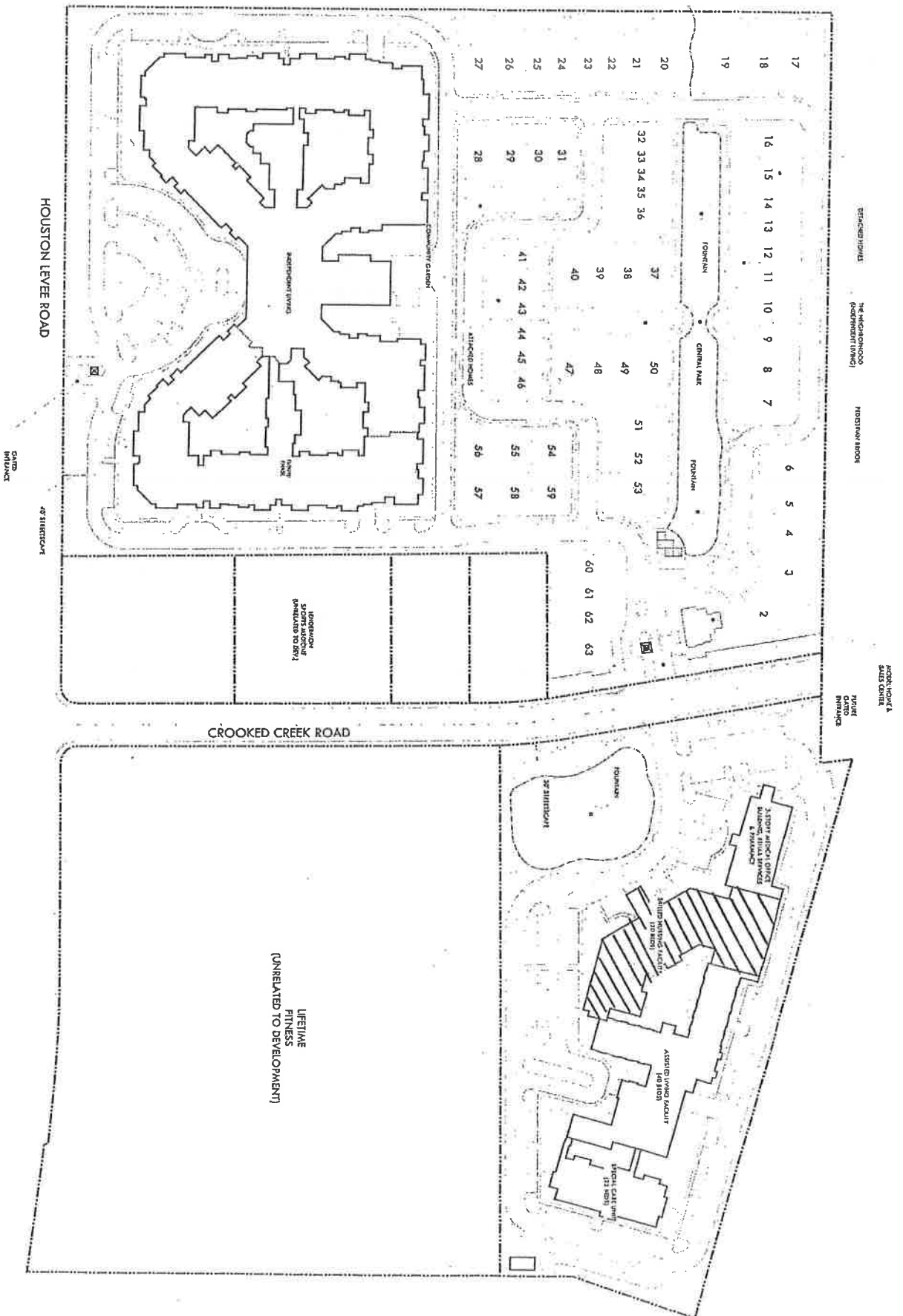
<u>Age Cohort</u>	<u>Projected 2016 Population</u>	<u>Bed Need Level of Incidence</u>	<u>Estimated Bed Need in 2016</u>
Under 65	263,703	0.0005	132
65 to 74	23,727	0.0120	285
75 to 84	9,551	0.0600	573
85 and over	3,355	0.1500	<u>503</u>
Estimated Nursing Bed Demand in 2016			1,493 Beds
Less Existing Beds in Collierville PMA			<u>(684)</u>
Remaining Bed Need Demand in Collierville PMA			809 Beds

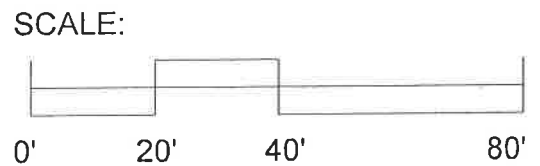
Source: Claritas
MDS Analysis



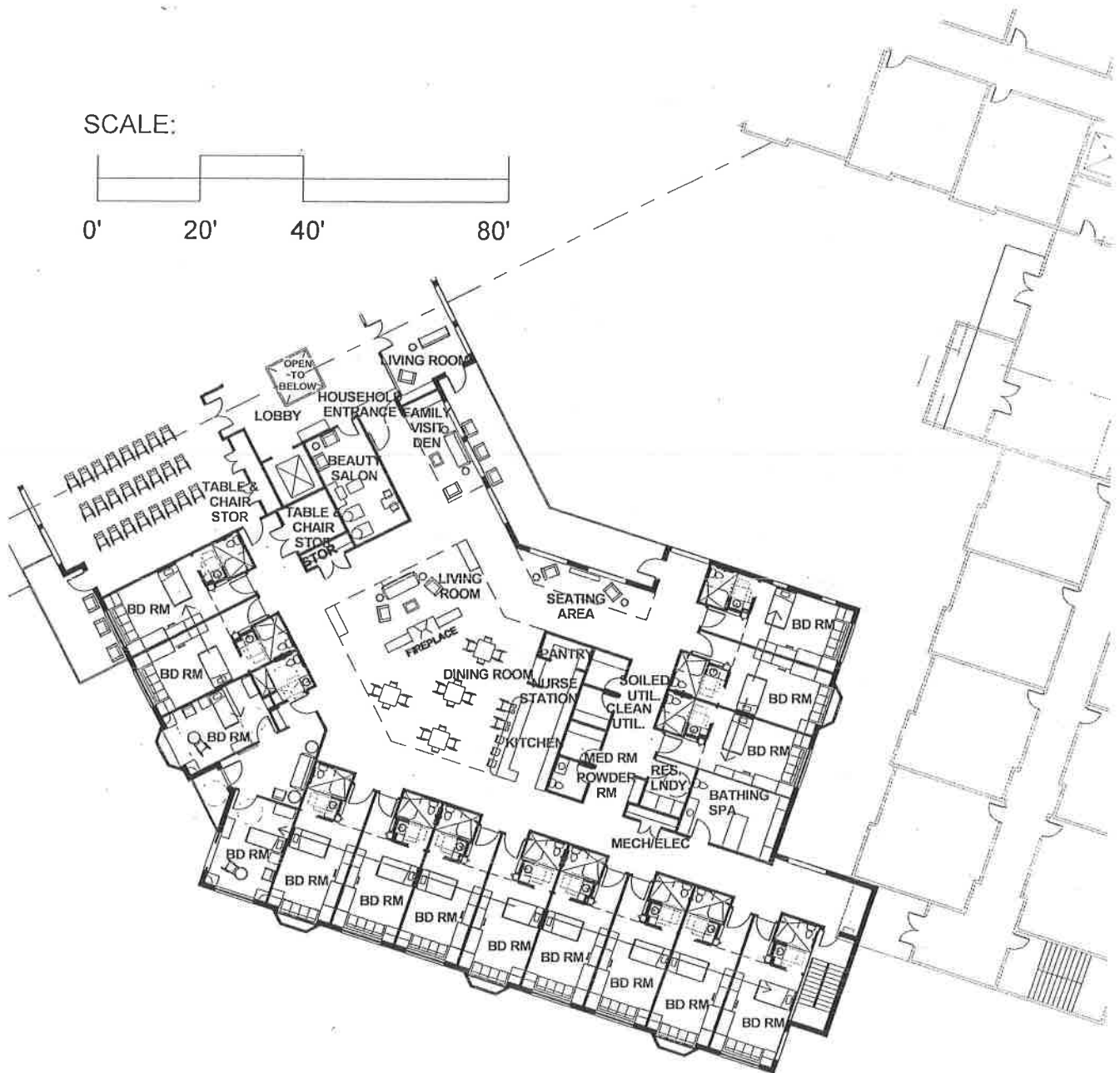
DEVELOPMENT PLAN

Total campus = 26.3 Acres
Health center campus = 9.3 Acres





03/08/13



03/08/13

EXHIBIT 1

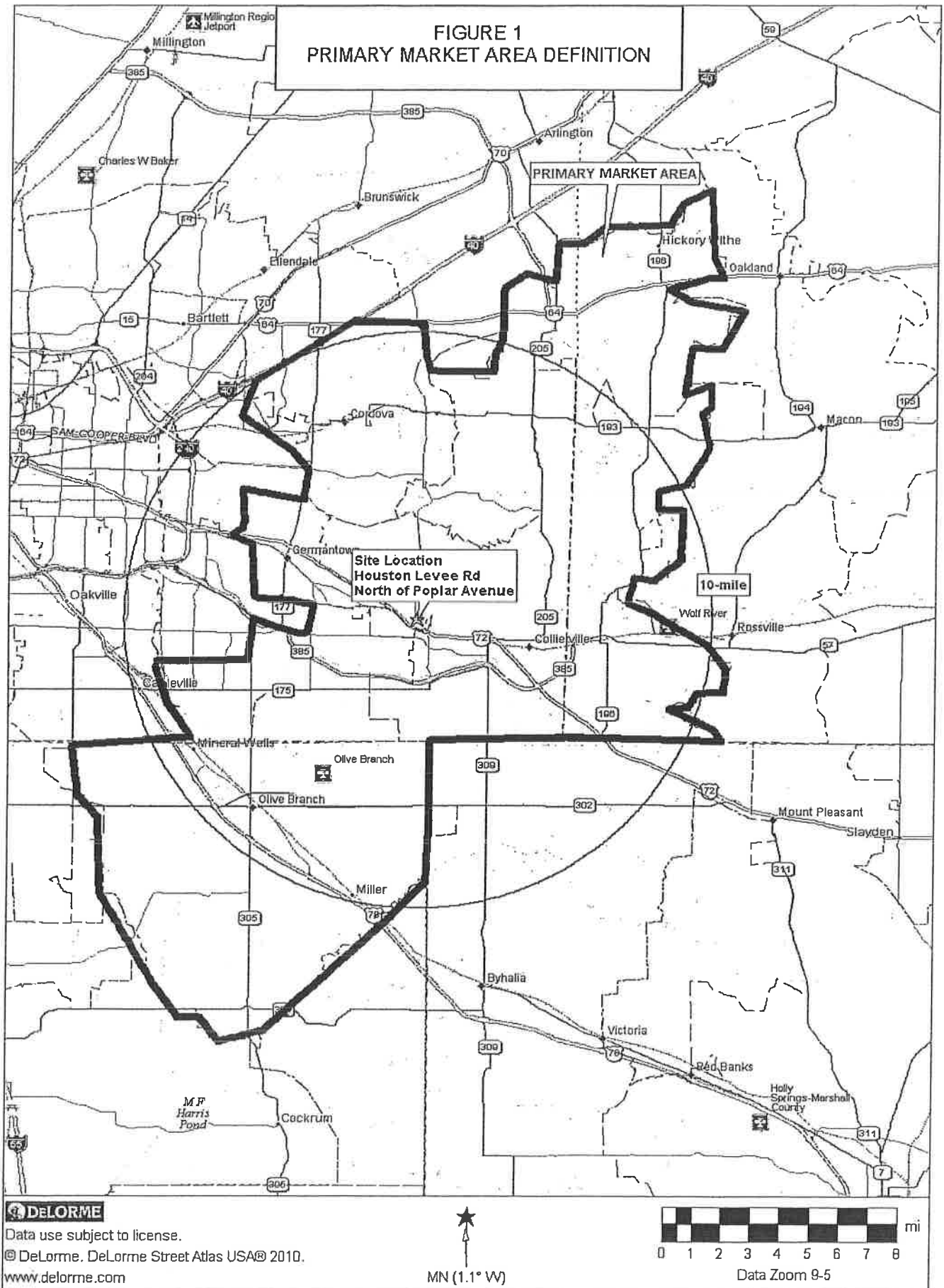
PRIMARY MARKET AREADEFINITION FOR A NEW SENIOR HOUSINGCOMMUNITY IN COLLIERVILLE, TENNESSEE

- 38016 Cordova
- 38017 Collierville*
- 38018 Cordova
- 38027 Collierville
- 38028 Eads
- 38125 Memphis
- 38138 Germantown
- 38139 Germantown
- 38141 Memphis
- 38654 Olive Branch

*** Zip code of subject site location**

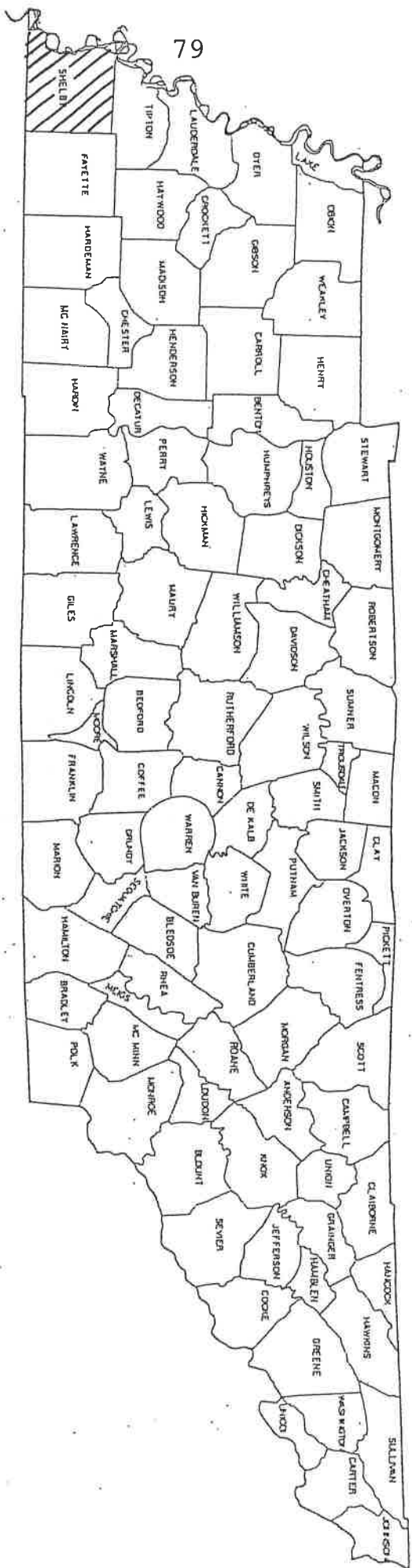
Figure 1 presents a map depicting the approximate boundaries of this PMA. MDS has assumed that 65% to 75% of the new unit absorption will come from age and income qualified households residing in this PMA.

FIGURE 1
PRIMARY MARKET AREA DEFINITION



PROPOSED SERVICE AREA FOR

THE FARMS AT BAILEY STATION SNF



POPULATION AND DEMOGRAPHIC CHARACTERISTICS FARMS AT BAILEY STATION SNF

	<u>Primary Service Area</u>	<u>Shelby County</u>	<u>State of TN Total</u>
Total Population-Current Year-2014	293,359	956,126	6,414,297
Total Population-Projected Year-2016	300,336	970,591	6,530,459
Total Population-% change	2%	2%	2%
Age 65 and over Population-2014	33,021	103,296	904,587
Age 65 and over Population-2016	36,633	109,969	960,158
Age 65 and over Population-% change - 2014-2016	11%	6%	6%
Age 65 and over Population as % of Total Population - 2014	11%	11%	14%
Age 65 and over Population as % of Total Population - 2016	12%	11%	15%
Median Household Income	\$70,024 (2013)	\$46,102 (2011)	\$43,989 (2011)
TennCare Enrollees - July, 2013	Not Available	277,649	1,193,721
TennCare Enrollees as % of Total	Not Available	29%	19%
Poverty Rate	Not Available	21.5%	18.4%

Sources: Shelby County and State data: Tenn. Dept. of Health and TACIR County Profiles; PSA Data: MDS, Inc., Claritas, Nielson Co.



REES

architecture
planning
interiors

atlanta
baltimore
dallas
houston
indianapolis
mexico city
oklahoma city
san antonio
san francisco
spokane

November 12, 2013

Ms. Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
Frost Building - 3rd Floor
161 Rosa Parks Boulevard
Nashville, TN 37243

Re: The Farms at Bailey Station – Skilled Nursing Home
Certificate of Need Application

Dear Ms. Hill:

This letter is to provide confirmation of the estimated square footage and cost of the skilled nursing home for The Farms at Bailey Station that is the subject of the referenced certificate of need application. The area of the building consists of approximately 28,372 gross square feet and the estimated cost is four million three hundred eighty four thousand eight hundred ninety-two dollars and sixty cents (\$4,384,892.60).

To the best of our knowledge and ability, this facility will be designed in compliance with the facility jurisdiction's building codes.

We understand the federal jurisdiction governing this facility, Centers for Medicare and Medicaid Services, has adopted the following regulations:

- NFPA 101 Life Safety Code 2000

We understand the state jurisdiction governing this facility, Tennessee, has adopted the following regulations:

- Bureau of Health Licensure and Regulations
Board for licensing Health Care Facilities
Division of Health Care Facilities
Chapter 1200-08-06 Standards for Nursing Homes November, 2012 Revised

We understand that the local jurisdiction governing this facility, Collierville, Tennessee has adopted the following building codes:

- 2012 International Building Code 2012
- 2012 International Mechanical Code 2012
- 2012 International Fuel Gas Code
- 2012 International Plumbing Code
- 2008 National Electrical Code

Respectfully,
REES Associates, Inc.

Beverly Brandon, AIA, LEED AP
Vice President

**BankTennessee***Welcome Home!*

November 14, 2013

Ms. Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa Parks Blvd
Nashville, TN 37243

Dear Ms. Hill:

We understand that Luke, Inc. d/b/a The Farms at Bailey Station (FABS) is involved in the completion of a 60-bed nursing home in Collierville, TN. and will be seeking construction financing of approximately \$6,350,000 at a 5.0% interest rate.

We have banking relationships with Luke, Inc. and Retirement Companies of America, LLC, companies Affiliated with FABS and their financings with BankTennessee have performed as agreed. Further, our review of their credit histories and financial statements indicate a superior credit worthiness and financial track record.

We have had a chance to review the overall project and our initial impression is favorable. This letter Expresses our favorable initial contact with FABS regarding their project and is not a commitment to Finance the project. A commitment letter, if forthcoming, would only occur after a comprehensive Underwriting and detailed review of the project and then only after our Bank's Board approval.

Sincerely,
BankTennessee

Jim Rout
Chief Executive Officer and President



3535 Kirby Road • Memphis, Tennessee 38115

March 14, 2013

To whom it may concern:

In support of Luke, Inc.'s efforts to secure a Certificate of Need, Psalms, Inc. will provide up to \$500,000 if required to meet operating short-falls during the first year of operations.

Psalms, Inc.

By: 
Rudolf Herzke, President

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PSALMS, INC
Statement of Financial Position
As of December 31, 2012

(Unaudited)

ASSETS

Current Assets

Cash and cash equivalents	\$ 6,898,422
Current assets held by trustee	248,872
Restricted cash for wait list deposits	4,383,411
Investments - retirement residential housing bonds - wait list deposits	2,654,790
Accounts receivable-net	1,288,024
Other current Assets	339,829
Total current assets	15,813,348

Assets whose use is limited or restricted under indenture agreement - held by trustee	2,900,000
---	-----------

Property and equipment-net of accumulated depreciation of \$41,794,080	48,083,320
--	------------

Other Assets

Bond origination costs and capitalized start-up costs less accumulated amortization	622,567
Bond discount, less accumulated amortization	153,267
Accounts receivable - Luke, Inc.	2,102,071
Cash surrender value - life insurance	1,264,373

TOTAL ASSETS **\$ 70,938,946**

LIABILITIES & NET ASSETS (DEFICIT)

Current Liabilities

Accounts payable - trade and construction	\$ 1,720,319
Accrued payroll and other expenses	1,793,739
Accrued interest payable	1,819,071
Accrued property taxes	118,429
Wait-list deposits	10,828,001
Refundable entrance fees	1,552,297
Line of credit	1,436,187
Note Payable	364,277
Current portion of capital lease obligation	1,180,000
Total current liabilities	20,812,320

Capital lease obligations, less current maturities	26,945,000
--	------------

Refundable and unearned entrance fees	41,698,524
---------------------------------------	------------

Net Assets (Deficit)	(18,516,898)
----------------------	--------------

TOTAL LIABILITIES AND NET ASSETS (DEFICIT) **\$ 70,938,946**

PSALMS, INC.

Statements of Operations and Changes in Net Assets (Deficit)
For the Year Ended December 31, 2012

(Unaudited)**Revenues, Gains and Other Support**

Independent Living service fees	\$ 12,120,943
Gallory Manor service fees	6,598,402
Fireside Villa service fees	689,511
Providence Place service fees	788,756
Alzheimer service fees	1,049,487
Personal Support Services	808,955
Earned entrance fees	<u>4,646,989</u>
Total resident revenues	<u>26,703,043</u>

Expenses

Administrative and marketing	3,968,557
Management fees	1,060,633
Dietary	2,357,243
Plant and maintenance	2,917,610
Housekeeping and laundry	545,036
Security and transportation	482,308
Activities	203,158
Resident nurse and personal care expenses	1,055,027
Gallory Manor expenses	5,868,000
Fireside Villa expenses	791,047
Providence Place expenses	663,287
Alzheimer expenses	<u>1,329,891</u>
Total expenses	<u>21,241,797</u>

Change in Net Assets from Operations	<u>5,461,246</u>
--------------------------------------	------------------

Other Income (Expenses)

Interest Income	499,950
Other revenues	172,524
Interest expense	(2,398,420)
Depreciation	(2,880,000)
Amortization	(55,536)
Other expenses	<u>(20,285)</u>
Total other income (expense)	<u>(4,681,767)</u>

Increase (Decrease) in Net Assets	\$ 779,479
--	-------------------

Unrestricted net assets (deficit) at beginning of period	<u>(19,296,377)</u>
---	----------------------------

Unrestricted net assets (deficit) at end of period	\$ <u>(18,516,898)</u>
---	-------------------------------

Healthcare Providers


Rehab Care Group
NCS Healthcare of TN
Your Shared Hands
First Choice Medical Supply
UT Medical Group Inc
Gamma Healthcare Inc
Giles Fire Protection Co Inc
Stericycle
Cynthia Hughes
Radiographics
Preferred Medical
Patterson Medical
Emergency Mobile Health Care, LLC
Touchtown
Wheelchair Express
Walmart Community
Professional Medical Transport
Angela K. Tartera
Don Johnson
Elect Home Care
Beyond This Day
Creative Aging Mid-South
Ecolab Food Safety Specialties
First Call Ambulance Service West
Baptist Home Medical Equipment
Rural/Metro Mid South, L.P.
Diagnostic Imaging
Mid-South Medical & Mobility
Maxim Healthcare Services
Athena Diagnostics, Inc

87
AFFIDAVIT

STATE OF TENNESSEE

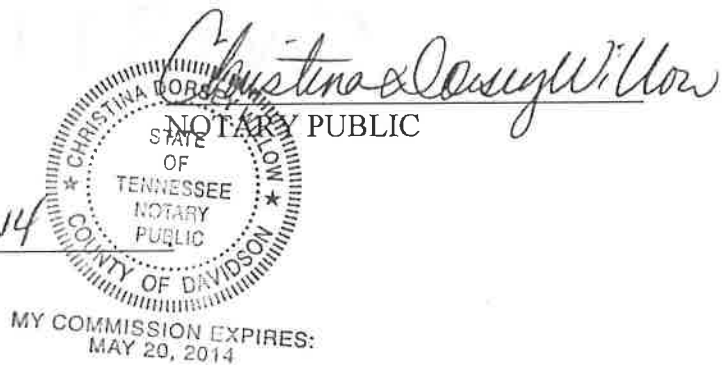
COUNTY OF DAVIDSON

Jerry W. Taylor, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.


SIGNATURE
Attorney
TITLE

Sworn to and subscribed before me this 15th day of November, 2013 a Notary Public in and for Davidson County, Tennessee.

My commission expires 5-20-14



COPY- SUPPLEMENTAL-1

The Farms at Bailey Station SNF

CN1311-045

RESPONSES TO SUPPLEMENTAL QUESTIONS

CERTIFICATE OF NEED APPLICATION

FOR

THE FARMS AT BAILEY STATION SNF

**Addition of 30 SNF Beds to a Skilled Nursing Facility
as Part of a Continuing Care Retirement Community**

Project No. CN1311-045

Shelby County, Tennessee

November 25, 2013

Contact Person:

**Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, Tennessee 37219
615-782-2228**

1. Section A, Applicant Profile, Item 5 (Bed Complement Data)

Please identify the members of Retirement Companies of America, LLC and each member's percentage of ownership.

Charles S. Trammel, Jr. 100%

2. Section A, Applicant Profile, Item 9 (Bed Complement Data)

It appears that the bed data is in the incorrect row. Please submit a replacement Bed Complement Data Chart with the bed information on Row N. Nursing Facility Level 2 (Medicare only).

A revised Bed Complement Data Chart is attached following this response.

3. Section B, Project Description, Item I.

Please provide occupancy projections for the independent living and assisted living units up through the second year of operation of the proposed project.

The following is an estimate of the census in the independent living (IL) and assisted living (AL) units from Phase I and Phase II.

<u>Phase 1</u>	<u>Phase II</u>
IL 277	IL 466
AL 63	AL 63

Will the intermediate level of nursing services be limited to private pay individuals?

Predominantly all the intermediate care patients will be private pay. There could be very rare occasions where Medicare Part B would be the payor.

Is there ownership overlap between Retirement Companies of America, Psalms, Inc. and Luke, Inc.? If yes, please describe.

There is no common ownership between the entities. The corporate officers of Psalms, Inc. and Luke, Inc. are identical, and there is one common board member between those two not-for-profit corporations. RCA is related to Psalms and Luke only through contractual arrangements.

What will be the relationship between the 3-Story Medical Office Building and the skilled nursing/assisted living facilities?

The medical office building (MOB) will be leased to various health care providers, including physicians. Strong interest in leasing space in the MOB has been expressed by University of Tennessee Medical Group, among others. Many of the patients of the SNF will benefit from having their physician located on the same campus as the FBSSNF.

Is the second floor layout of the proposed project similar to the layout of the previously approved first floor?

The lay outs of the two floors will be very similar but not identical.

What would be the impact of just operating a 30-bed facility?

It has always been the intent of the applicant to have a 60 bed SNF as part of the CCRC. Operating a 30 bed SNF is feasible, but it is not practical. The economics are challenging, and 30 beds are not sufficient to meet the needs of a CCRC community the size and scope of Bailey Station, the residents of which are guaranteed access to a SNF bed when needed.

Please identify the three outstanding CONs that total to 150 beds.

A description and summary of the 3 CON projects with outstanding approved beds is attached following this response. The total number of outstanding CON beds is 148.

County	Project Number	Action	Project Name	Project Type	Project Description	Meeting Date	Expiration Date	Total Project Cost	sOwner Name
Shelby	CN1202-011 A		Collins Chapel Health & Rehabilitation Center	7	Establish a nursing home with 28* Medicare SNF beds and to provide skilled nursing facility services. *Subject to the 2011-2012 NH bed pool.	6/27/2012	8/1/2014	\$1,626,331.00	Collins Chapel Connectional Hospital
Shelby	CN1303-008 A		The Farms at Bailey Station Skilled Nursing Facility	7	Establishment of a 30* SNF bed facility certified for Medicare participation to be part of a continuing care retirement community consisting of skilled nursing beds, assisted living beds and units. *These beds are subject to 125 bed pool for 2012-2013.	6/26/2013	8/1/2016	\$7,301,961.00	Luke, Inc.
Shelby	CN0908-045 A		Christian Care Center of Memphis f/k/a Americare Long Term Specialty Hospital, LLC d/b/a Americare Health and Rehabilitation Center	7	Partial relocation and replacement of 90 of 237 NH beds due to condemnation by BNSF Railway Co from 3391 Old Getwell Rd. to Kirby Pkwy & Kirby Gate Blvd. --a portion of the campus for relocation s to a new facility to be constructed.	11/18/2009	1/1/2016	\$8,639,395.00	Ameircare Long Term Specialty Hospital, LLC

SUPPLEMENTAL- # 1

November 25, 2013

3:20pm

What percentage of the one-time entrance fee and monthly maintenance fees subsidize the proposed nursing home?

The specific percentage in any individual case, or in the aggregate, is not readily ascertainable. The revenues from the entrance and maintenance fees go into the revenue stream of the community and a portion of that revenue stream is used to subsidize the cost of operations and debt service on the SNF.

Will individuals who reside at The Farms of Bailey Station be given priority status over a private pay non-resident in admissions to the proposed SNF nursing home?

Yes, a resident of the community would be given priority over a non-resident if and to the extent both were seeking admission to the same bed. The nursing facility will be filled initially from residents outside of the CCRC. As residents age in place and move through the continuum a larger portion of nursing residents will come from within the CCRC. Management constantly monitors and assesses the needs of the residents to ensure census is maintained and a place in the continuum is available if needed.

4. Section B, Project Description, Item II.A.

The last two columns of the Square Footage Chart should be in terms of cost per square foot. Please submit a revised Square Footage Chart.

A revised Square Footage and Cost Per Square Foot Chart is attached following this response.

5. Section B, Project Description, Item IV (Floor Plan)

Where will second floor skilled patients go for rehabilitation and therapy services?

There will be rehab and therapy space on both the first and second floor. The floor plan submitted with the application is not likely to be the exact final lay out. The floor plan will be tweaked during the final construction drawings process. The overall square footage will remain the same, or very close to the same as disclosed in the application.

Will there be any services on the first floor that second floor residents will have to be transported?

No, it is anticipated each floor will have all the space and services needed for the residents of each floor.

6. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) A. Need 1.

In addition to the nursing home beds accounted for in outstanding but unimplemented CONs, including this application there are 70 beds pending approval in Shelby County. Does the applicant believe there is a need for 70 additional nursing home beds in Shelby County?

The applicant seeks only 30 beds, and the application demonstrates the need for those beds. At this time the applicant takes no position as to the need for any beds beyond the 30 beds requested in the FBSSNF application.

Pease discuss how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Shelby County for years 2010, 2011, and 2012. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite.

As reflected in Attachment C, I, Need, 5 in the application, average annual occupancy for Shelby County Nursing homes beds were as follows:

2010: 87.1%
2011: 85.9%
2012: 89.3%

So average occupancy has increase by 2.2% between 2010-2012. Whether or not the LTCCCA contributed to the increase, or whether it kept down what would have otherwise been a greater increase would be speculation.

7. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) B. Occupancy and Size Standards 2.

Please identify individually the 50 bed or more nursing homes in the service area that did not attain 95% occupancy in 2011 and 2012.

A list of those facilities is attached following this response.

Shelby County Nursing Homes with > 95% Average Annual Occupancy in 2012 (Provisional JARs)

Allen Morgan Health and Rehab Center

Applingwood Healthcare Center

Ashton Place Health & Rehab Center

Ave Maria Home

Baptist Memorial Hospital-Memphis SNF

Baptist Skilled Rehab Unit - Germantown

Bright Glade Health And Rehabilitation Center

Dove Health & Rehab Of Collierville

Grace Healthcare of Cordova

Graceland Nursing Center

Harbor View (f/k/a Court Manor)

Primacy Healthcare and Rehab (f/k/a Kindred)

Kirby Pines Manor

Memphis Jewish Home

Methodist Healthcare Skilled Nursing Facility

Midsouth Health And Rehabilitation Center

Millington Healthcare Center

Poplar Point (f/k/a Overton Park)

Quality Care Center of Memphis

Quince Nursing And Rehabilitation Center

Rainbow Health & Rehab Of Memphis

Signature Healthcare at Saint Francis

Signature Healthcare at St. Peter Villa

Spring Gate Rehabilitation And Healthcare Center

The Highlands Of Memphis Health & Rehab

The Village At Germantown

Whitehaven Community Living Center

8. Section C., Need, Item 3

Is the Olive Branch ZIP Code a Mississippi ZIP Code? If yes, when determining bed need for the primary service area did the applicant include licensed nursing home beds in the Olive Branch ZIP Code?

The Olive Branch zip code is located in Mississippi. It is within the Shelby County Metropolitan Statistical Area. There are no nursing home beds located in the Olive Branch zip code.

9. Section C., Need, Item 5

Your response is noted. Please complete the following tables:

The tables with the requested data are attached following this response.

2012 JAR
(Provisional)

Facility	Licensed Beds	Beds- Medicare Certified	Beds- Medicaid Certified	Beds- Dually Certified	Licensed Only Beds- Non- Certified	SNF/ Medicare- ADC	SNF/ Medicaid ADC	SNF All other Payors ADC	Non- Skilled ADC	Total ADC
Allen Morgan Health and Rehab Center	104	24	0	0	80	18.5	0.0	69.4	69.4	87.9
Allenbrooke Nursing & Rehab Center	180	0	0	180	0	14.6	142.3	15.1	139.8	172.0
Applingwood Healthcare Center	78	0	0	78	0	17.8	43.5	11.7	55.3	73.0
Ashton Place Health & Rehab Center	211	0	0	211	0	21.8	160.3	5.4	139.9	187.4
Ave Maria Home	75	0	0	75	0	8.6	22.5	36.0	58.5	67.1
Baptist Memorial Hospital-Memphis SNF	35	35	0	0	0	23.4	0.7	4.9	0.0	28.9
Baptist Skilled Rehab Unit - Germantown	18	18	0	0	0	13.5	0.0	1.3	0.0	14.9
Bright Glade Health And Rehabilitation Center	77	0	0	77	0	14.2	44.5	12.2	55.7	70.9
Dove Health & Rehab Of Collierville	114	0	0	114	0	15.6	70.6	11.8	75.5	98.0
Grace Healthcare of Cordova	284	0	0	284	0	17.7	160.1	25.3	151.4	203.2
Graceland Nursing Center	240	120	120	0	0	14.1	188.1	5.6	154.0	207.8
Harbor View (f/k/a Court Manor)	120	0	0	120	0	19.2	72.2	8.5	80.7	99.9
Kindred Transitional Care (f/k/a Primacy Healthcare)	120	120	0	0	0	53.2	0.0	35.0	29.4	88.2
Kirby Pines Manor	120	30	0	0	90	23.4	0.0	93.7	89.7	117.0
Memphis Jewish Home	160	0	0	160	0	28.7	60.9	28.0	60.5	117.6
Methodist Healthcare Skilled Nursing Facility	44	44	0	0	0	15.2	0.0	3.0	0.0	18.1
Midsouth Health And Rehabilitation Center	155	0	0	155	0	15.3	98.0	21.5	113.6	134.8
Millington Healthcare Center	85	19	0	66	0	20.1	47.7	11.4	57.9	79.2
Poplar Point (f/k/a Overton Park)	169	0	115	54	0	23.6	115.0	1.4	0.0	139.9
Parkway Health And Rehabilitation Center	120	0	0	120	0	24.0	82.6	8.8	74.5	115.3
Quality Care Center of Memphis	48	0	0	48	0	0.0	33.6	0.7	34.3	34.3
Quince Nursing And Rehabilitation Center	188	0	0	188	0	28.2	120.7	31.3	134.6	180.2
Rainbow Health & Rehab Of Memphis	115	0	0	115	0	26.0	74.3	8.3	78.6	108.6
Signature Healthcare at Saint Francis	197	84	0	113	0	N/A	N/A	32.6	94.4	169.4
Signature Healthcare at St. Peter Villa	180	0	60	120	0	26.1	111.9	27.9	112.8	165.9
Signature Healthcare Of Memphis	140	0	0	140	0	24.2	103.2	8.2	109.1	135.5
Spring Gate Rehabilitation And Healthcare Center	233	0	90	143	0	21.6	163.8	21.3	158.1	206.7
The Highlands Of Memphis Health & Rehab	180	0	0	180	0	21.2	118.2	25.4	131.8	164.8
The King's Daughters And Sons Home	108	0	0	108	0	15.6	68.7	21.6	79.5	105.9
The Village At Germantown	30	30	0	0	0	20.9	0.0	5.0	0.0	25.9
Whitehaven Community Living Center	92	0	0	92	0	10.8	66.9	1.5	64.4	79.1
Totals/Average	3928	524	385	2941	170	19.3	70.0	19.2	77.5	112.8

2011 JAR

Facility	Licensed Beds	Beds- Medicare Certified	Beds- Medicaid Certified	Beds- Dually Certified	Licensed Only Non-Certified	Beds- SNF/ Medicare- ADC	SNF/ Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC
Allen Morgan Health and Rehab Center	104	24	0	0	80	12.4	0.0	62.0	62.0	74.5
Allenbrooke Nursing & Rehab Center	180	0	0	180	0	16.0	144.7	11.5	139.9	172.2
Applingwood Healthcare Center	78	0	0	78	0	15.8	39.1	12.2	51.3	67.1
Ashton Place Health & Rehab Center	211	0	0	211	0	19.5	159.9	0.0	131.3	179.4
Ave Maria Home	75	0	0	75	0	4.0	23.7	42.6	66.2	70.3
Baptist Memorial Hospital-Memphis SNF	35	35	0	0	0	25.2	1.1	2.7	0.0	29.0
Bright Glade Health And Rehabilitation Center	81	0	0	81	0	16.3	53.4	0.0	52.3	69.7
Dove Health & Rehab Of Collierville	114	0	0	114	0	18.8	64.4	12.7	72.1	168.0
Graceland Nursing Center	240	120	120	0	0	15.7	186.8	7.0	146.0	209.4
Harbor View (f/k/a Court Manor)	120	0	0	120	0	23.8	61.6	10.0	71.6	95.4
Kindred Transitional Care (f/k/a Primacy Healthcare)	120	120	0	0	0	56.4	0.0	30.3	27.6	86.7
Kirby Pines Manor	120	30	0	0	90	19.4	0.0	96.2	88.5	115.5
Memphis Jewish Home	160	0	0	160	0	33.9	62.0	25.7	77.2	121.6
Midsouth Health And Rehabilitation Center	155	0	0	155	0	14.9	58.6	6.4	59.7	79.9
Millington Healthcare Center	85	19	0	66	0	16.8	44.2	16.9	57.9	77.8
Poplar Point (f/k/a Overton Park)	169	0	115	54	0	13.0	115.7	1.7	101.5	130.4
Parkway Health And Rehabilitation Center	120	0	0	120	0	15.4	84.1	17.1	76.1	116.6
Quality Care Center of Memphis	48	0	0	48	0	0.5	31.9	1.2	33.0	33.5
Quince Nursing And Rehabilitation Center	188	0	0	188	0	27.8	131.4	22.6	138.3	181.8
Rainbow Health & Rehab Of Memphis	115	0	0	115	0	22.8	76.9	9.2	78.1	108.9
Signature Healthcare at Saint Francis	197	0	0	197	0	N/A	N/A	34.4	92.5	172.1
Signature Healthcare at St. Peter Villa	180	0	60	120	0	19.9	101.6	27.7	101.8	149.2
Signature Healthcare Of Memphis	140	0	0	140	0	24.3	98.1	10.4	100.0	132.7
Spring Gate Rehabilitation And Healthcare Center	231	0	0	143	88	27.1	149.3	39.0	155.6	215.3
The Highlands Of Memphis Health & Rehab	180	0	0	180	0	26.3	110.5	14.7	117.7	151.4
The King's Daughters And Sons Home	108	0	0	108	0	15.7	58.7	29.4	76.7	103.9
The Village At Germantown	30	30	0	0	0	23.5	0.0	2.2	0.0	25.7
Whitehaven Community Living Center	92	0	0	92	0	10.7	72.1	0.1	67.9	82.9
Totals/Average*	3584	378	295	2745	258	19.1	68.9	19.5	80.1	115.0

* There is no JAR on file in 2011 for the following facilities, which are listed as currently licensed on the web site: Baptist-Germantown SNF; Civic Health and Rehab; Grace Healthcare; Methodist Healthcare SNF. The "Total/Average" does not include beds or days for these facilities.

10. Section C, Need, Item 6

Your response to this item is noted. Please complete the following tables

The tables with the requested data are reflected below.

The Farms at Bailey Station (Proposed 30 beds)-Projected Utilization

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	SNF Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1	30	30	7	0	2	0	9	03%
2	30	30	22	0	5	0	27	90%

The Farms at Bailey Station (60 Bed Facility)-Projected Utilization

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	SNF Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1	60	60	25	0	5	0	30	50%
2	60	60	42	0	13	0	55	92%

Has the applicant been in contact with area hospital discharge planners to determine if there is an existing demand for additional skilled nursing beds? In 2012 the Village at Germantown reported that hospitals was the source of approximately 90% of all admissions.

Yes. RCA has a full time dedicated staff person who stays in regular contact with discharge planners at area hospitals in order to help with immediate referrals to Kirby Pines, and in regard to future availability of beds and needs for placements at the FBSSNF. The RCA staff routinely makes in person visits to the hospitals to facilitate these efforts.

Please describe the expected occupancy trends of the independent living units and the assisted living units concurrent with the first two years of the skilled nursing beds in terms of the number of potential referrals during the first two years of operation.

The following is an estimate of the census in the independent living (IL) and assisted living (AL) units from Phase I and Phase II.

<u>Phase 1</u>	<u>Phase II</u>
IL 277	IL 466
AL 63	AL 63

The exact number of referrals or residents for the SNF that will come from these units, especially in the beginning, is not known. Eventually it is anticipated that about 80%-85% of the SNF census will consist of individuals coming out of the other living units in the CCRC.

11. Section C, Economic Feasibility, Item 2

Your response to this item is noted. Please submit a revised letter from BankTennessee indicating the anticipated term of the loan, or any restrictions or conditions.

A revised funding letter from BankTennessee is attached following this response.



BankTennessee
Welcome Home!

November 22, 2013

Mr. Mark Farber
Deputy Director
Tennessee Health Services and Development Agency
Andrew Jackson Bldg, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: The Farms at Bailey Station

Dear Mr. Farber:

I have been requested to respond to question 11 in your letter to Mr. Taylor dated November 21, 2013. The interim financing for this project, contemplates an interest rate of 5%, and the term of the loan being two years. The restrictions and conditions are that a final certificate of need be granted for the project, and that the parties reach mutually agreeable final terms of the loan. Please let me know if you have additional questions.

Sincerely,

BankTennessee

Jim Rout

Chief Executive Officer and President

The letter from Psalms, Inc. committing up to \$500,000 to the proposed project is noted. It is also noted in Psalms, Inc. unaudited Statement of Financial Position that as of December 31, 2012 there was reported cash and cash equivalents of \$6,898,422; however the current ratio of 0.76:1 suggests that Psalms, Inc. does not have enough current assets to cover all current liabilities.

Please provide the most recent audited financial statements for Psalms, Inc. and discuss the feasibility of Psalms, Inc. providing \$500,000 to the proposed project to cover first year operational, losses.

See the attached schedule on the following page from the Vice President of Finance for Retirement Companies of America, LLC showing the restated current ratio based on audited financial statements as of 12/31/2012, and discussing the ability of Psalms, Inc. to make the loan to Luke, Inc., if needed. The most recent audited financial statements for Psalms Inc. are also attached.

PSALMS, INC.
CURRENT RATIO RESTATEMENT
FYE 12/31/2012

PER 12/31/2012 AUDITED FINANCIAL STMTS:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
TOTAL CURRENT ASSETS	\$ 16,064,108
LESS: RESTRICTED ASSETS HELD BY TRUSTEE FOR BOND PAYMENTS	(12,176)
LESS: RESTRICTED CASH FOR WAIT LIST DEPOSITS	(4,383,410)
LESS: RESTRICTED INVESTMENTS FOR WAIT LIST DEPOSITS	(2,654,790)
RESTATED CURRENT ASSETS	\$ 9,013,732
TOTAL CURRENT LIABILITIES	\$ 22,358,411
LESS: ACCRUED INTEREST EXCLUSIVE OF BOND INTEREST	(1,594,590)
LESS: WAIT-LIST DEPOSITS	(10,828,001)
LESS: LINE OF CREDIT	(2,196,520)
RESTATED CURRENT LIABILITIES	\$ 7,739,300
CURRENT RATIO PER AUDITED FINANCIAL STATEMENTS	0.72 to 1
RESTATED CURRENT RATIO	1.16 to 1

NOTE 1: WAIT LIST DEPOSITS ARE HELD UNTIL A RESIDENT MOVES IN AT WHICH TIME THEIR DEPOSIT IS TRANSFERRED TO ENTRANCE FEES. IF A CONTRACT IS CANCELLED BEFORE MOVE-IN, THE DEPOSIT IS REFUNDED WITHIN 90 DAYS. IN ADDITION, ACCRUED INTEREST ON WAIT LIST DEPOSITS IS PRIMARILY CREDITED TO A RESIDENT'S ACCOUNT UPON MOVE-IN OR REFUNDED AT THE SAME TIME AS THE DEPOSIT UPON CANCELLATION.

NOTE 2: UNDER TERMS OF THE LEASE/BONDS AGREEMENT, 65 % OF THE WAIT LIST DEPOSITS RECEIVED MUST BE HELD IN SEGREGATED DEPOSIT ACCOUNTS AT ALL TIMES. FROM 2005 TO 2012, WAIT LIST DEPOSITS HAVE RANGED FROM \$9,474,816 TO \$10,828,001, INDICATING THAT WHILE THIS AMOUNT IS CLASSIFIED AS A CURRENT LIABILITY THE LIKELIHOOD OF A SIGNIFICANT PORTION OF IT BEING REFUNDABLE WITHIN ONE YEAR IS EXTREMELY UNLIKELY.

NOTE 3: THE LINE OF CREDIT OF \$2,196,520 IS AVAILABLE UP TO \$5,000,000 AND IS DUE SEPTEMBER 3, 2013 (REVISED FROM 6/1/2013). THIS LINE OF CREDIT HAS BEEN RENEWABLE FOR OVER 10 YEARS. THEREFORE, THERE IS ENOUGH AVAILABILITY TO COVER THE \$500,000 COMMITMENT TO THE PROPOSED LUKE PROJECT.

25, 2013
3:20pm

PSALMS, INC.

FINANCIAL STATEMENTS

December 31, 2012 and 2011



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International

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PSALMS, INC.

ORGANIZATION AND BUSINESS

State and Date of Incorporation

Tennessee - March 2, 1981

Office Location

3535 Kirby Road
Memphis, Tennessee 38115

Officers and Directors

Dr. James Latimer	-	Chairman of the Board and Director
Rudolf W. Herzke	-	President and Director
Berry E. Terry	-	Secretary, Treasurer, and Director
Richard Coons	-	Director
James Ethridge	-	Director
Dr. Fred Grogan	-	Director
Boyd L. Rhodes, Jr.	-	Director
Mary Ann Hodges	-	Director

Business

Operation of a planned unit residential life care community designed to provide continuing care for senior adults.



Watkins Uiberall, PLLC
 Certified Public Accountants & Financial Advisors
 Independent Member of BKR International

SUPPLEMENTAL- # 1

1661 Aaron Brenner Drive • Suite 200
 Memphis, Tennessee 38104
 901.761.2720 • Fax: 901.683.1120
November 25, 2013 3:20pm

210 East Main Street • Suite 2C
 Tupelo, Mississippi 38804
 662.269.4014 • Fax: 662.269.4016

1941 Citrona Drive
 Fernandina Beach, Florida 32034
 904.432.2028 • Fax: 901.683.1120

www.wucpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Psalms, Inc.
 Memphis, Tennessee

We have audited the accompanying financial statements of Psalms, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

November 25, 2013

3:20pm

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Psalms, Inc. as of December 31, 2012 and 2011, and the changes in its net deficit and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Watkins Wilkerson, PLLC

Memphis, Tennessee

June 13, 2013

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	<u>Assets</u>	
	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 6,877,282	\$ 9,077,601
Current assets whose use is limited or restricted under indenture agreement - held by trustee	12,176	20,841
Cash restricted for wait list deposits	4,383,410	4,688,333
Investments - retirement residential housing bonds - restricted for wait list deposits	2,654,790	2,264,213
Accounts receivable, net of allowance for doubtful accounts of \$620,578 and \$291,371, respectively	1,460,352	1,322,423
Due from related parties	355,191	286,964
Other receivables	53,072	-
Other current assets	267,835	257,502
Total current assets	<u>16,064,108</u>	<u>17,917,877</u>
Assets whose use is limited or restricted under indenture agreement - held by trustee	2,900,000	2,900,000
Property and equipment, net of accumulated depreciation	47,613,171	46,984,478
Property held for sale	461,775	686,381
Other Assets		
Bond origination costs and other capitalized costs, less accumulated amortization of \$1,513,811 and \$1,467,859, respectively	632,151	678,103
Bond discount, less accumulated amortization of \$143,686 and \$134,107, respectively	143,688	153,267
Related party receivable - Luke, Inc.	2,896,685	2,135,380
Cash surrender value - life insurance	1,274,580	1,147,536
Total assets	<u>\$ 71,986,158</u>	<u>\$ 72,603,022</u>

The accompanying notes are an integral part of the financial statements.

NOV 25 3:20 PM

Liabilities and Net Assets (Deficit)

	<u>2012</u>	<u>2011</u>
Current Liabilities		
Accounts payable - trade and construction	\$ 1,079,905	\$ 1,086,182
Accrued payroll and other expenses	2,183,121	1,758,008
Accrued interest payable	1,810,389	1,918,358
Accrued property taxes	90,669	169,648
Due to related parties	664,373	698,115
Wait-list deposits	10,828,001	10,696,225
Refundable entrance fees	1,417,857	1,695,621
Prepaid tenant fees	555,029	401,341
Line of credit	2,196,520	2,324,709
Note payable	352,547	379,027
Current maturities of capital lease obligation	1,180,000	1,115,000
Total current liabilities	<u>22,358,411</u>	<u>22,242,234</u>
Long-Term Debt		
Capital lease obligation, less current maturities	26,945,000	28,125,000
Entrance Fees		
Refundable fees	18,221,332	18,289,756
Deferred revenues from advanced fees	23,525,091	23,242,409
Total entrance fees	<u>41,746,423</u>	<u>41,532,165</u>
Total liabilities	91,049,834	91,899,399
Net Assets (Deficit)		
Unrestricted	<u>(19,063,676)</u>	<u>(19,296,377)</u>
Total liabilities and net assets (deficit)	<u>\$ 71,986,158</u>	<u>\$ 72,603,022</u>

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2012 and 2011

	2012	2011
Resident Revenues		
Independent Living service fees	\$ 12,887,839	\$ 12,008,372
Gallery Manor service fees	6,597,091	6,291,245
Fireside Villa service fees	689,513	775,555
Providence Place service fees	788,755	845,088
Alzheimer service fees	1,049,487	1,313,565
Earned entrance fees	4,373,802	3,255,008
Total resident revenues	26,386,487	24,488,833
Expenses		
Administrative and marketing	4,133,310	4,180,099
Management fees	1,060,633	1,013,988
Dietary	2,329,623	2,421,256
Plant and maintenance	2,763,099	2,847,943
Housekeeping and laundry	536,376	554,617
Security and transportation	477,400	448,277
Activities	194,251	193,499
Resident nurse expenses	1,052,439	567,832
Gallery Manor expenses	5,970,340	5,640,014
Fireside Villa expenses	769,200	790,781
Providence Place expenses	635,738	679,837
Alzheimer expenses	1,303,060	1,255,807
Total expenses	21,225,469	20,593,950
Change in net assets from operations	5,161,018	3,894,883
Other Income (Expenses)		
Interest income	404,776	383,528
Loss on sale of property and equipment	(37,928)	(54,685)
Loss on sale of property held for sale	(255,369)	(42,972)
Change in market value of investments	96,717	55,217
Other revenues	151,568	170,154
Interest expense	(2,381,720)	(2,512,149)
Depreciation	(2,850,829)	(2,696,240)
Amortization	(55,532)	(55,532)
Total other income (expenses)	(4,928,317)	(4,752,679)
Change in net deficit	232,701	(857,796)
Unrestricted net deficit at beginning of the year	(19,296,377)	(18,438,581)
Unrestricted net deficit at end of the year	\$ (19,063,676)	\$ (19,296,377)

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows Provided By (Used For) Operating Activities:		
Change in net deficit	\$ 232,701	\$ (857,796)
Adjustments to Reconcile Change in Net Deficit to Net		
Cash Provided By (Used For) Operating Activities:		
Depreciation	2,850,829	2,696,240
Amortization	55,532	55,532
Change in market value of investments	(96,717)	(55,217)
Loss on the sale of property and equipment	37,928	54,685
Loss on the sale of property held for sale	255,369	42,972
Unearned entrance fees transferred from resident deposits	7,965,529	7,795,042
Entrance fees and other deposits earned	(4,179,385)	(3,129,537)
Changes in Operating Assets and Liabilities:		
Accounts receivable	(137,929)	(236,139)
Due from related parties	(68,227)	(133,137)
Other current assets	(63,405)	(39,629)
Accounts payable - trade and construction	(6,277)	299,809
Accrued payroll and other expenses	425,113	(341,268)
Accrued interest payable	(107,969)	126,927
Accrued property taxes	(78,979)	63,132
Due to related parties	(33,742)	259,952
Prepaid tenant fees	153,688	91,663
Total adjustments	6,971,358	7,551,027
Net cash provided by operating activities	7,204,059	6,693,231
Cash Flows From (Used For) Investing Activities:		
Purchases of property and equipment	(3,517,450)	(3,781,232)
Purchases of property held for sale	(248,349)	(213,825)
Proceeds from the sale of property held for sale	654,631	711,043
Increase in cash surrender value - life insurance	(127,044)	(120,276)
Decrease in assets whose use is limited or restricted	8,665	3,061
Restricted cash deposits for wait list	304,923	488,296
Purchase of investments - retirement residential housing bonds	(998,860)	(685,018)
Sale of investments - retirement residential housing bonds	705,000	-
Advances to Luke, Inc.	(761,305)	(887,587)
Net cash used for investing activities	(3,979,789)	(4,485,538)

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From (Used For) Financing Activities:		
Wait-list deposits received	8,534,351	8,479,650
Wait-list deposits refunded	(427,100)	(558,050)
Wait-list deposits transferred to entrance fees	(8,402,575)	(8,092,050)
Entrance fees refunded	(3,859,596)	(1,890,714)
Net borrowings (payments) on line of credit	(128,189)	1,424,703
Principal payments of note payable	(26,480)	-
Principal payments on capital lease obligation	(1,115,000)	(1,045,000)
Net cash used for financing activities	(5,424,589)	(1,681,461)
Increase (decrease) in cash and cash equivalents	(2,200,319)	526,232
Cash and cash equivalents at beginning of the year	9,077,601	8,551,369
Cash and cash equivalents at end of the year	<u>\$ 6,877,282</u>	<u>\$ 9,077,601</u>
Supplemental Disclosure of Cash Flows Information:		
Cash paid during the year for interest	<u>\$ 2,489,689</u>	<u>\$ 2,385,222</u>
Supplemental Schedule of Non-Cash Investing Activities:		
Acquisition of property in lieu of entrance fees	<u>\$ 437,046</u>	<u>\$ 297,008</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESOrganization

Psalms, Inc. (the "Community") is a nonprofit organization incorporated under the laws of the State of Tennessee in 1981 for the purpose of constructing and operating a planned unit residential life care community for the continuing care of persons at least fifty-five years old. The Community is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code and from Tennessee excise taxes under Section 67-2702 of the Tennessee Code. The Community is classified as a public charity by the Internal Revenue Service.

Nature of Operations

The Community principally provides housing, health care and other related services to residents at least fifty-five years old through the operation of a planned unit residential life care facility containing 394 independent living apartments, 47 independent living garden homes, and a 184 bed health care facility in Memphis, Tennessee.

Method of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue from residents receiving health care services is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Fees paid by a resident upon entering into a resident agreement, net of refundable fees to the resident as defined by the various types of resident agreements, are recorded as deferred revenues from advanced fees and are amortized to income using the actuarial tables over the estimated remaining life expectancy of the resident. In addition, each resident pays a monthly service fee to cover operating expenses and other costs of the Community that is recognized as revenues in the month earned. The fees are determined periodically by the board of directors based on budgeted revenues and expenses and are allocated to each resident based on the size of the unit.

In accordance with generally accepted accounting principles ("GAAP"), the Community reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

Concentrations and Credit Risks

The Community's credit risks primarily relate to cash and cash equivalents, cash held by trustees, accounts receivable, and investments. Cash and cash equivalents are held primarily in accounts at a bank and are insured by the FDIC up to an aggregate of \$250,000. Cash held by trustees is primarily invested in commercial paper and certificates of deposit with financial institutions. At December 31, 2012 and 2011, cash deposits exceeded federally insured limits and securities pledged to the trustee. Accounts receivable consists primarily of amounts due from residents in the state of Tennessee and from other health care companies. The Community performs continual credit evaluations of its residents, maintains an allowance for doubtful accounts, and generally does not require collateral. Investments are in housing bonds which are secured by the property and revenues of the underlying entities.

The Community grants credit to its residents primarily related to providing residential and health care related services. The mix of receivables from residents as of December 31, 2012 and 2011 is as follows:

	2012	2011
Resident/Private Pay	50.92%	56.25%
Medicare	30.29%	26.39%
Co-Insurance	18.79%	17.36%
	<u>100.00%</u>	<u>100.00%</u>

Fair Value Measurements

The Community applies GAAP for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also

establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. See Note 4 for additional disclosures.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Community considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. All certificates of deposit are considered to be cash since interest penalties for early withdrawal are insignificant. Cash held in investments are not included in cash and cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of amounts due from residents of the Community as well as third party payors. The Community continually evaluates accounts receivable to identify amounts which are uncollectible. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding, creditworthiness of the resident, and historical experience. The Community provides an allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost or market and consist primarily of food and medical supplies. Cost is determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$2,500 are capitalized. Depreciation is calculated using the straight-line method to write off the cost of the assets over their estimated useful lives ranging from five to forty years. The Community has funded construction projects with refundable deposits from current and future residents, as well as outside financing over the term of the construction period. Interest related to these funding sources is capitalized during the construction period.

Property Held for Sale

Property held for sale, consisting of primary residences purchased from residents, is reported at the lower of cost or fair value less estimated selling costs. Property held for sale is not depreciated.

Intangibles

The Community amortizes bond origination costs and the bond discount over the life of the bonds using the straight-line method. The other capitalized costs are being amortized using the straight-line method over a period of forty years.

Investments

The Community carries investments at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Investments in Cash Surrender Value - Life Insurance

The Community is the owner and beneficiary of several life insurance policies. The cash payable on policy surrender consists of cash value, dividend accumulations, and interest earned.

Net Assets (Deficit)

In accordance with generally accepted accounting principles, the Community reports information regarding financial position and changes in net assets classified as unrestricted, temporarily restricted, and permanently restricted. The Community has only unrestricted net assets.

Advertising Costs

Advertising costs are expensed as incurred. During the years ended December 31, 2012 and 2011, the Community expensed \$129,067 and \$169,522 for advertising costs, respectively.

Leasing Expenses

Unit lease commissions are expensed in the year in which the units are occupied.

Income Taxes

The federal returns for tax years 2009 and beyond remain subject to examination by the taxing authorities.

Date of Management's Review

The Community evaluated its December 31, 2012 financial statements for subsequent events through June 13, 2013, the date the financial statements were available to be issued. The Community is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – ASSETS WHOSE USE IS LIMITED OR RESTRICTED

The Trust Indenture dated November 15, 1997 (relating to the 1997 bond issue) and the First Supplement to the Trust Indenture, dated June 15, 2001 (relating to the 2001 bond issue) requires the Community to make monthly deposits into trustee funds (the Bond Funds) in an amount equal to one-twelfth of the annual payment of principal and one-sixth of the semiannual payment of interest. The Bond Fund balance was \$12,176 and \$20,841 at December 31, 2012 and 2011, respectively. The Indenture also requires the establishment of Debt Service Reserve Funds with

an initial deposit equal to the Debt Service Fund Requirement. The Debt Service Reserve Funds balances were \$2,900,000 for each of the years ended December 31, 2012 and 2011.

These investments are stated at cost, which approximates market.

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows at December 31:

	2012	2011
Land and land improvements	\$ 5,379,322	\$ 5,329,030
Building	74,744,542	71,877,686
Furniture and fixtures	3,312,433	3,567,262
Equipment	4,539,752	4,400,699
Construction in progress	1,745,243	1,448,607
	<u>89,721,292</u>	<u>86,623,284</u>
Less: accumulated depreciation	<u>(42,108,121)</u>	<u>(39,638,806)</u>
	<u>\$ 47,613,171</u>	<u>\$ 46,984,478</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities the Community has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs for assets or liabilities that rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In determining fair values, the Community utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Residential housing bonds: Valued at the closing price reported in the active market in which the individual or similar securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Community believes its

valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in methodologies used at December 31, 2012.

The following tables set forth by level, within the fair value hierarchy, assets and liabilities that are measured at fair value on a recurring basis at December 31:

Fair Value Measurements at December 31, 2012			
	Level 1	Level 2	Total
Investments			
Cash	\$ 248,866	\$ -	\$ 248,866
Residential housing bonds	-	2,405,924	2,405,924
	<u>\$ 248,866</u>	<u>\$ 2,405,924</u>	<u>\$ 2,654,790</u>
Fair Value Measurements at December 31, 2011			
	Level 1	Level 2	Total
Investments			
Residential housing bonds	\$ -	\$ 2,264,213	\$ 2,264,213
	<u>\$ -</u>	<u>\$ 2,264,213</u>	<u>\$ 2,264,213</u>

NOTE 5 – LINE OF CREDIT

The line of credit consists of the following at December 31:

	2012	2011
\$5,000,000 line of credit for operations and construction - due to a bank, interest at bank's prime rate (3.25% at December 31, 2012), due June 1, 2013.	<u>\$ 2,196,520</u>	<u>\$ 2,324,709</u>

The line of credit is secured by the garden homes at the Community. These garden homes are not pledged as collateral for the bonds disclosed in Note 6.

NOTE 6 – CAPITAL LEASE OBLIGATION AND BONDS PAYABLE

Under a capital lease agreement, The Health, Educational and Housing Facility Board of Shelby County, Tennessee, on behalf of the Community, issued \$31,955,000 of revenue bonds on November 25, 1997, and \$7,000,000 of revenue bonds on June 15, 2001. The bonds are made up of \$24,145,000 tax-exempt 1997 Series A, \$5,000,000 tax-exempt 1997 Series B Extendable Rate Adjustable Securities (EXTRAS), \$2,810,000 taxable 1997 Series C (paid off in 2004), \$2,000,000 tax exempt Series 2001 A, and \$5,000,000 tax exempt Series 2001 B Extendable Rate Adjustable Securities (EXTRAS). The 1997 Series A bonds were issued at a \$287,374 discount.

Monthly payments required under the capital lease obligation are one-twelfth of the sum of the next annual bond principal and semiannual interest payments and are payable to the Health, Educational and Housing Facility Board of Shelby County, Tennessee.

In accordance with the Lease Agreement, the Community must meet the following covenants:

- Maintain a Debt Service Coverage Ratio of at least 1.1 in each fiscal year
- Have at least 60 days cash on hand
- Keep an amount in a segregated wait list deposit account, at all times, equal to or exceeding 65% of the total wait list deposits received

As of December 31, 2012 and 2011, the Community was in compliance with these covenants.

Bonds payable consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
\$24,145,000, Series 1997A, varying interest rates between 6.25 and 6.375%, matures November 15, 2025	\$ 17,810,000	\$ 18,715,000
\$5,000,000, Series 1997B, bearing interest at 5.75%, matures November 15, 2027	5,000,000	5,000,000
\$2,000,000, Series 2001A, bearing interest at 6.75%, matures November 15, 2014	315,000	525,000
\$2,500,000, Series 2001B, bearing interest at 6.4%, matures November 15, 2022	2,500,000	2,500,000
\$2,500,000, Series 2001B, bearing interest at 5.5%, matures November 15, 2027	<u>2,500,000</u>	<u>2,500,000</u>
	28,125,000	29,240,000
Less current maturities	<u>(1,180,000)</u>	<u>(1,115,000)</u>
	<u>\$ 26,945,000</u>	<u>\$ 28,125,000</u>

Principal payments required are as follows for the years ending December 31:

2013	\$ 1,180,000
2014	1,250,000
2015	1,330,000
2016	1,420,000
2017	1,505,000
Thereafter	<u>21,440,000</u>
	<u>\$ 28,125,000</u>

Principal payments on the bonds are due November 15 each year.

Substantially all of the property, equipment, (excluding the garden homes) and revenues of the Community are collateral for the bond issues.

NOTE 7 – NOTE PAYABLE

The note payable consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Note payable due on demand to a bank at a rate of 5.75%, payable in monthly installments of principal and interest payments of \$6,691 through December 2017, secured by real estate.		
The note can be drawn up to \$600,000.	<u>\$ 352,547</u>	<u>\$ 379,027</u>

NOTE 8 – RETIREMENT PLAN

The Community has a non-contributory defined contribution retirement plan covering substantially all full-time employees. Eligibility requirements are at least one year of service (over 1,000 hours) and attainment of age 21. The Community's contributions are discretionary. Retirement plan expense for each of the years ended December 31, 2012 and 2011 was \$96,000.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Community retains Retirement Companies of America, LLC (RCA), to provide development and marketing services. The development agreement is effective through November 13, 2014. Development fees of 6% of defined costs are included in building costs for completed projects in the accompanying balance sheets. Development fees totaled \$114,922 and \$179,869 for 2012 and 2011, respectively. Under the marketing agreement, which is effective through November 30, 2017, the Community pays RCA a fee equal to 6% of the entrance fees collected on previously occupied units, payable upon resident move-in. Such fees totaled \$352,268 and \$440,562 for 2012 and 2011, respectively.

Under a separate management agreement effective through November 30, 2017, RCA provides general management, supervision, and staffing for the Community at a standard monthly fee and an additional fee per nursing beds, personal care beds, and Alzheimer's disease beds in excess of 160. Management fees for these services were \$1,060,633 and \$1,013,988 in 2012 and 2011, respectively. In addition, RCA is reimbursed for certain administrative services, and the administrator, assistant administrator, and marketing staff salaries and related expenses (excluding the marketing director). Such reimbursements totaled \$1,509,617 and \$1,369,468 for 2012 and 2011, respectively.

Amounts payable to RCA at December 31, 2012 and 2011 were \$608,755 and \$657,438, respectively, and relate to advances, marketing and development fees, and salary reimbursements.

The Community also purchased services and materials from companies/individuals that are owned by the shareholders and/or spouses of the shareholders of the management company or related to officers and board members of the Community. Costs for these services and materials in 2012 and 2011 totaled \$96,195 and \$89,913, respectively. Accounts payable to these companies at December 31, 2012 and 2011 were \$5,273 and \$2,499, respectively.

The Community has purchased life insurance on the president of the Community, on one of the shareholders of the management company, and on a key employee of the Community in the amount of \$4,500,000. The president of the Community is the insurance agent.

The Community has advanced funds to Luke, Inc. associated with the purchase and development of 37 acres of land located at the Farms of Bailey Station. These costs are shown as a receivable from Luke, Inc. on the statements of financial position. Luke, Inc. is a separate entity from Psalms, Inc. and has three common board members. The Community had a receivable from the entity of \$2,896,685 and \$2,135,380 at December 31, 2012 and 2011, respectively. The receivable is secured by a portion of the property. The Community also guarantees interest on Luke, Inc.'s note payable to Trustmark National Bank. This note bears interest at prime rate (3.25% at December 31, 2012) and had a balance of \$2,280,000 and \$2,660,000 at December 31, 2012 and 2011, respectively.

The Community has paid the salary costs and out-of-pocket expenses for the Director of the Kirby Pines Foundation since December 2009. The total costs paid of \$322,040 and \$255,021 at December 31, 2012 and 2011, respectively, are included in the due from related parties on the statements of financial position. The Director is soliciting donations which will offset the receivable and eventually pay back the costs.

During 2012, the Community guaranteed the bridge loans for one employee and two current and former board members totaling \$606,300. The Community does not have title to these homes but has funded the carrying costs of the homes totaling \$68,270 and \$38,774 for the years ended December 31, 2012 and 2011, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Community has guaranteed bank loans of certain residents. Proceeds of the loans were used to pay entrance fees. The amount of such loans outstanding was approximately \$3,645,000 and \$5,430,600 at December 31, 2012 and 2011, respectively.

The Community relies on future entrance fees to pay wait list deposits and entrance fee refunds as they become due. Entrance fees are also used for operating expenses.

At December 31, 2012 and 2011, the Community had a contingent liability for commissions payable to the management company upon occupancy of apartments by future residents of \$649,680 and \$641,774, respectively.

The Community has outstanding construction commitments of approximately \$1,516,000 at December 31, 2012, related to a construction project at Fireside Villa.

When the Community initially opened, it entered into several agreements in which the refundable entrance fee is based upon 60% of the fair market value of the unit at the time of death. As of December 31, 2012, three 60% fair market contracts were outstanding.

The Community is party to various legal proceedings that generally involve patient care issues. These actions are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Community. In the opinion of management, after consultation with outside legal counsel, and review of insurance coverage, the ultimate disposition of these proceedings will not have a material effect on the Community's financial position or results of operations.

NOTE 11 – CLASSIFICATION OF EXPENSES

The Community provides housing, health care, and other related services to residents within its geographic location. Program services and general and administrative expenses have been allocated by function based on management's judgment of costs relating to each function. Functional expenses include operating expenses as well as interest expense, depreciation, and amortization. Functional expenses related to providing these services are as follows:

	2012	2011
Program activities	\$ 20,668,020	\$ 20,399,966
General and administrative	5,845,530	5,457,905
	<u>\$ 26,513,550</u>	<u>\$ 25,857,871</u>

12. Section C, Economic Feasibility, Item 4 (Projected Data Charts)

Please explain why there are no provisions for charity care.

The Farms at Bailey Station is a 501(c)(3) organization. The industry norm for start-up, not-for-profit CCRC's is for the 501(c)(3) organization to develop a Foundation which serves as the principle charitable arm for the community. As the Community ages and matures, donations from residents and their family allow the Foundation the opportunity to provide financial assistance for residents who experience hardship for reasons beyond their control, without the funding coming out of the operating budget of the facility. Therefore, no expense for charity care is reflected on the financial projections.

Under Capital Expenditures please explain why there is interest expense but no retirement of principal.

The interim financing will be an interest-only loan, which is the industry norm for this type of construction financing.

What do Physician Salaries and Wages represent?

Those represent contractual fees for the Medical Director.

13. Section C, Economic Feasibility, Item 6.B.

The response to this item is noted. As the applicant noted the Village at Germantown (VAT) is the most comparable since it is also a CCRC. VAT has 30 Medicare only skilled nursing beds and in 2012 reported utilization that was 80% Medicare skilled. VAT also reported providing physical, occupational, and speech therapy services. VAT's net charge in 2012 was \$234.31. In order to approximate the applicant's projected charge of \$429.66 in 2016, VAT would have to increase its charge approximately 20% annually.

Please discuss why the applicant charges appear to significantly higher than comparable facilities.

There are several reasons why the average daily charges of FBSSNF are higher than the other facilities listed: (1) the comparable charges are for 2012, whereas the FBSSNF projected charges are for 2016; (2) FBSSNF will have a higher mix of skilled Level II and rehab patients than do most of the facilities listed which results in higher average charges per day; (3) FBSSNF will not participate in Medicaid, which results in higher per day net charges.

Approximately 80%-85% of the occupied beds are projected to be Medicare reimbursed, and the applicant will not set its own charges as to Medicare patients. The Resource Utilization Groups (RUG) rates are determined by CMS based on the level of care and services provided. The weighted average RUG rate applied in the projections was \$450.

As to the Villages at Germantown (VAG), it should be noted that according to the 2011 Joint Annual Reports, the VAG average daily charges (net patient revenues divided by total patient days) were \$418.16 per day – very close to the applicant's projected average daily charges for 2016. Similarly, VAG's average daily charges reported on its 2010 JAR were \$402.72. These relatively higher average daily charges are reasonable to

expect based on a relatively higher skilled nursing (Level II) census. The applicant does not know why VAG's reported average charges for 2012 decreased by approximately 44% between 2011-2012.

Please provide the Medicare allowable fee schedule for nursing homes.

A listing of the 2014 SNF RUG rates (effective 10/1/2013 to 9/30/2014) is attached following this response.



FACILITY: Memphis TN-MS-AR

URBAN
 2014 SNF RUG GROUPS
 10/01/2013 - 09/30/2014

COUNTY Memphis TN-MS-AR
 CBSA CODE 32820
 Wage Index 0.9038

Updated Unadjusted Federal Rate Per Diem
 URBAN 165.81 124.90 16.45 84.62

URBAN	165.81			124.90			16.45			84.62			Allocation			Percentage					
	Nursing			Therapy			Nursing			Therapy			Therapy Non			0.69545			0.30455		
	Index	Therapy Index	Therapy	Comp	Therapy Comp	Case-Mix Comp	Non Case Mix Comp	Total	Wage Index	Labor	Non-Labor	Total	Labor	Non-Labor	Total	Labor	Non-Labor				
RUG																					
RUX	2.67	1.87		442.71	233.56	0.00	84.62	760.89	0.9038	478.26	231.73	709.99									
RUL	2.57	1.87		426.13	233.56	0.00	84.62	744.31	0.9038	467.83	226.68	694.51									
RVX	2.61	1.28		432.76	159.87	0.00	84.62	677.25	0.9038	425.68	206.26	631.94									
RVL	2.19	1.28		363.12	159.87	0.00	84.62	607.61	0.9038	381.91	185.05	566.96									
RHX	2.55	0.85		422.82	106.17	0.00	84.62	613.61	0.9038	385.68	186.87	572.55									
RHL	2.15	0.85		356.49	106.17	0.00	84.62	547.28	0.9038	343.99	166.67	510.66									
RMX	2.47	0.55		409.55	68.70	0.00	84.62	562.87	0.9038	353.79	171.42	525.21									
RML	2.19	0.55		363.12	68.70	0.00	84.62	516.44	0.9038	324.61	157.28	481.89									
RLX	2.26	0.28		374.73	34.97	0.00	84.62	494.32	0.9038	310.70	150.55	461.25									
RUC	1.56	1.87		258.66	233.56	0.00	84.62	576.84	0.9038	362.57	175.68	538.25									
RUB	1.56	1.87		258.66	233.56	0.00	84.62	576.84	0.9038	362.57	175.68	538.25									
RUA	0.99	1.87		164.15	233.56	0.00	84.62	482.33	0.9038	303.17	146.89	450.06									
RVC	1.51	1.28		250.37	159.87	0.00	84.62	494.86	0.9038	311.04	150.71	461.75									
RVB	1.11	1.28		184.05	159.87	0.00	84.62	428.54	0.9038	269.36	130.51	399.87									
RVA	1.10	1.28		182.39	159.87	0.00	84.62	426.88	0.9038	268.31	130.01	398.32									
RHC	1.45	0.85		240.42	106.17	0.00	84.62	431.21	0.9038	271.04	131.33	402.37									
RHB	1.19	0.85		197.31	106.17	0.00	84.62	388.10	0.9038	243.94	118.20	362.14									
RHA	0.91	0.85		150.89	106.17	0.00	84.62	341.68	0.9038	214.76	104.06	318.82									
RMC	1.36	0.55		225.50	68.70	0.00	84.62	378.82	0.9038	238.11	115.37	353.48									
RMB	1.22	0.55		202.29	68.70	0.00	84.62	355.61	0.9038	223.52	108.30	331.82									
RMA	0.84	0.55		139.28	68.70	0.00	84.62	292.60	0.9038	183.91	89.11	273.02									
RLB	1.50	0.28		248.72	34.97	0.00	84.62	368.31	0.9038	231.50	112.17	343.67									
RLA	0.71	0.28		117.73	34.97	0.00	84.62	237.32	0.9038	149.17	72.28	221.45									
ES3	3.58	0.00		593.60	0.00	16.45	84.62	694.67	0.9038	436.63	211.56	648.19									
ES2	2.67	0.00		442.71	0.00	16.45	84.62	543.78	0.9038	341.79	165.61	507.40									
ES1	2.32	0.00		384.68	0.00	16.45	84.62	485.75	0.9038	305.32	147.94	453.26									
HE2	2.22	0.00		368.10	0.00	16.45	84.62	469.17	0.9038	294.90	142.89	437.79									
HE1	1.74	0.00		288.51	0.00	16.45	84.62	389.58	0.9038	244.87	118.65	363.52									



0.69545																			0.30455	
Therapy Non																				
RUG	Nursing		Therapy		Nursing		Therapy		Case-Mix		Non Case		Wage		Non-		RUG			
	Index		Index		Comp		Comp		Comp		Mix Comp		Total	Index	Labor	Labor	Total			
HD2	2.04	0.00	0.00		338.25	0.00	0.00		16.45		84.62		439.32	0.9038	276.13	133.79	409.92	HD2		
HD1	1.60	0.00	0.00		265.30	0.00	0.00		16.45		84.62		366.37	0.9038	230.28	111.58	341.86	HD1		
HC2	1.89	0.00	0.00		313.38	0.00	0.00		16.45		84.62		414.45	0.9038	260.50	126.22	386.72	HC2		
HC1	1.48	0.00	0.00		245.40	0.00	0.00		16.45		84.62		346.47	0.9038	217.77	105.52	323.29	HC1		
HB2	1.86	0.00	0.00		308.41	0.00	0.00		16.45		84.62		409.48	0.9038	257.38	124.71	382.09	HB2		
HB1	1.46	0.00	0.00		242.08	0.00	0.00		16.45		84.62		343.15	0.9038	215.69	104.51	320.20	HB1		
LE2	1.96	0.00	0.00		324.99	0.00	0.00		16.45		84.62		426.06	0.9038	267.80	129.76	397.56	LE2		
LE1	1.54	0.00	0.00		255.35	0.00	0.00		16.45		84.62		356.42	0.9038	224.03	108.55	332.58	LE1		
LD2	1.86	0.00	0.00		308.41	0.00	0.00		16.45		84.62		409.48	0.9038	257.38	124.71	382.09	LD2		
LD1	1.46	0.00	0.00		242.08	0.00	0.00		16.45		84.62		343.15	0.9038	215.69	104.51	320.20	LD1		
LC2	1.56	0.00	0.00		258.66	0.00	0.00		16.45		84.62		359.73	0.9038	226.11	109.56	335.67	LC2		
LC1	1.22	0.00	0.00		202.29	0.00	0.00		16.45		84.62		303.36	0.9038	190.68	92.39	283.07	LC1		
LB2	1.45	0.00	0.00		240.42	0.00	0.00		16.45		84.62		341.49	0.9038	214.64	104.00	318.64	LB2		
LB1	1.14	0.00	0.00		189.02	0.00	0.00		16.45		84.62		290.09	0.9038	182.34	88.35	270.69	LB1		
CE2	1.68	0.00	0.00		278.56	0.00	0.00		16.45		84.62		379.63	0.9038	238.62	115.62	354.24	CE2		
CE1	1.50	0.00	0.00		248.72	0.00	0.00		16.45		84.62		349.79	0.9038	219.86	106.53	326.39	CE1		
CD2	1.56	0.00	0.00		258.66	0.00	0.00		16.45		84.62		359.73	0.9038	226.11	109.56	335.67	CD2		
CD1	1.38	0.00	0.00		228.82	0.00	0.00		16.45		84.62		329.89	0.9038	207.35	100.47	307.82	CD1		
CC2	1.29	0.00	0.00		213.89	0.00	0.00		16.45		84.62		314.96	0.9038	197.97	95.92	293.89	CC2		
CC1	1.15	0.00	0.00		190.68	0.00	0.00		16.45		84.62		291.75	0.9038	183.38	88.85	272.23	CC1		
CB2	1.15	0.00	0.00		190.68	0.00	0.00		16.45		84.62		291.75	0.9038	183.38	88.85	272.23	CB2		
CB1	1.02	0.00	0.00		169.13	0.00	0.00		16.45		84.62		270.20	0.9038	169.83	82.29	252.12	CB1		
CA2	0.88	0.00	0.00		145.91	0.00	0.00		16.45		84.62		246.98	0.9038	155.24	75.22	230.46	CA2		
CA1	0.78	0.00	0.00		129.33	0.00	0.00		16.45		84.62		230.40	0.9038	144.82	70.17	214.99	CA1		
BB2	0.97	0.00	0.00		160.84	0.00	0.00		16.45		84.62		261.91	0.9038	164.62	79.76	244.38	BB2		
BB1	0.90	0.00	0.00		149.23	0.00	0.00		16.45		84.62		250.30	0.9038	157.33	76.23	233.56	BB1		
BA2	0.70	0.00	0.00		116.07	0.00	0.00		16.45		84.62		217.14	0.9038	136.48	66.13	202.61	BA2		
BA1	0.64	0.00	0.00		106.12	0.00	0.00		16.45		84.62		207.19	0.9038	130.23	63.10	193.33	BA1		
PE2	1.50	0.00	0.00		248.72	0.00	0.00		16.45		84.62		349.79	0.9038	219.86	106.53	326.39	PE2		
PE1	1.40	0.00	0.00		232.13	0.00	0.00		16.45		84.62		333.20	0.9038	209.43	101.48	310.91	PE1		
PD2	1.38	0.00	0.00		228.82	0.00	0.00		16.45		84.62		329.89	0.9038	207.35	100.47	307.82	PD2		
PD1	1.28	0.00	0.00		212.24	0.00	0.00		16.45		84.62		313.31	0.9038	196.93	95.42	292.35	PD1		
PC2	1.10	0.00	0.00		182.39	0.00	0.00		16.45		84.62		283.46	0.9038	178.17	86.33	264.50	PC2		
PC1	1.02	0.00	0.00		169.13	0.00	0.00		16.45		84.62		270.20	0.9038	169.83	82.29	252.12	PC1		
PB2	0.84	0.00	0.00		139.28	0.00	0.00		16.45		84.62		240.35	0.9038	151.07	73.20	224.27	PB2		
PB1	0.78	0.00	0.00		129.33	0.00	0.00		16.45		84.62		230.40	0.9038	144.82	70.17	214.99	PB1		



RUG	Nursing		Therapy		Nursing		Therapy		Therapy Non		Non Case		Total		Wage		0.69545		0.30455		Total		RUG
	Index	Index	Index	Index	Comp	Comp	Comp	Comp	Case-Mix	Comp	Mix	Comp	198.90	190.61	0.9038	0.9038	Labor	Labor	Non-Labor	Labor	185.59	PA2	
PA2	0.59		0.00		97.83	0.00	0.00		16.45	16.45	84.62	84.62	125.02	119.81	60.57								PA2
PA1	0.54		0.00		89.54	0.00	0.00		16.45	16.45	84.62	84.62	125.02	119.81	58.05								PA1

NOTE: The temporary 128 percent increase in the per diem adjusted payment rates for SNF residents with AIDS, enacted by section 511 of the MMA, remains in effect for 2014.

For example:

RUG Rate for CC2 Without Aids Increase
RUG Rate for CC2 With Aids Increase

293.89
670.07

14. Section C, Economic Feasibility, Item 11

Did the applicant consider the alternative of monitoring the utilization of the first 30 beds before committing to adding an additional 30 beds? If not, please explain why.

No, it has always been the intent of the applicant to have a 60 bed SNF as part of the CCRC. Operating a 30 bed SNF as part of the CCRC is feasible, but it is not practical. The economics are challenging, and 30 beds are not sufficient to meet the needs of a CCRC community the size and scope of Bailey Station, the residents of which are guaranteed access to a SNF bed when needed. The SNF is a core component of the CCRC, and without a sufficient number of SNF beds (60) the development of the independent living and assisted living portions of the development cannot move forward.

15. Section C, Orderly Development, Item 1

Your response to this item is noted. Does the applicant plan to have any working relationships with area hospitals, which can be a major referral source for Medicare skilled patients.

Yes. RCA has a full time dedicated staff person who stays in regular contact with discharge planners at area hospitals in order to help with immediate referrals to Kirby Pines, and in regard to future availability of beds and needs for placements at the FBSSNF. The RCA staff routinely makes in person visits to the hospitals to facilitate these efforts.

16. Section C, Orderly Development, Item 3

What are the expected FTE requirements for therapy personnel? Does the applicant expect to hire or contract for other positions such as social worker, activities director, and any other patient related positions?

A revised FTE staffing schedule which includes the DON, Social Worker and Activities Director is attached following this response. The salaries for these positions were included in the original CON Projected Data Charts.

The rehab and therapies positions will be contractual, and so those positions are not expressed in FTEs on the staffing schedule. The allocated costs for these services, which were included in the Projected Data Charts for the 60 bed facility, are as follows:

Year 1:

Physical Therapy:	\$753,266
Occupational Therapy:	\$729,579
Speech Therapy:	\$319,577

Year 2:

Physical Therapy:	\$1,265,605
Occupational Therapy:	\$1,228,268
Speech Therapy:	\$535,592

LUKE, INC.
d/b/a THE FARMS AT BAILEY STATION

The following is the projected staffing upon fill-up and stabilization at 92% occupancy.

	2nd 30 Beds		60 Beds		MEDIAN WAGE*
POSITION	FTE	SALARY	FTE	SALARY	
RN--REG	2.00	\$ 145,600	3.00	\$ 218,400	\$59,880
RN--W/E	0.80	\$ 65,520	1.20	\$ 109,200	\$59,880
LPN--REG	4.00	\$ 166,400	8.00	\$ 332,800	\$38,310
LPN--W/E	1.60	\$ 66,560	3.20	\$ 166,400	\$38,310
CNA--REG	5.00	\$ 104,000	12.00	\$ 249,600	\$23,130
CNA--W/E	2.00	\$ 37,440	4.80	\$ 124,800	\$23,130
DON	-	\$ -	1.00	\$ 70,000	\$59,880
ACTIVITES DIR.	-	\$ -	1.00	\$ 24,960	Not Listed
SOCIAL WORKER	-	\$ -	1.50	\$ 48,400	Not Listed
TOTAL	15.40		35.70		

*Source: Tennessee Department of Labor and Workforce Development

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: The Farms at Bailey Station

I, Jerry W. Taylor, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature]
Name
Attorney
Title

Sworn to and subscribed before me this the 25th day of November, 2013, a Notary Public in and for Davidson County Tennessee.

[Signature]
Notary Public

My Commission Expires: 5-20-14



COPY- SUPPLEMENTAL-2

The Farm at Bailey station, SNF

CN1311-045

RESPONSES TO SECOND SUPPLEMENTAL QUESTIONS**CERTIFICATE OF NEED APPLICATION****FOR****THE FARMS AT BAILEY STATION SNF**

**Addition of 30 SNF Beds to a Skilled Nursing Facility
as Part of a Continuing Care Retirement Community**

Project No. CN1311-045

Shelby County, Tennessee

November 26, 2013

Contact Person:

**Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, Tennessee 37219
615-782-2228**

1. Section A, Applicant Profile, Item 9 (Bed Complement Data)

The replacement Bed Complement Data Chart with the bed information on Row N. Nursing Facility Level 2 (Medicare only) is noted. However, please total the staff beds for the chart and re-submit.

A revised Bed Complement Chart with the requested revision is attached following this response.

2. Section B, Project Description, Item II.A.

The revised Square Footage Chart is noted. Please provide a proposed Final Cost/SF for row "E. Total GSF" on the Square Footage Chart rather than the project construction cost of \$4,384,892.60.

A revised Square Footage and Cost Per Square Footage Chart with the requested revision is attached following this response.

**3. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services)
B. Occupancy and Size Standards 2.**

The 50 bed or more nursing homes in the service area that did not attain 95% occupancy in 2012 is noted. However, please identify those did not attain 95% occupancy in 2011 as requested. Please clarify, if the provided list in supplemental one also included 2011 nursing homes.

Attached following this response are separate lists showing the nursing homes in Shelby County that did not achieve a 95% average annual occupancy rate in 2012 and 2011, respectively.

Shelby County Nursing Homes with > 95% Average Annual Occupancy in 2012 (Provisional JAR)

Allen Morgan Health and Rehab Center

Applingwood Healthcare Center

Ashton Place Health & Rehab Center

Ave Maria Home

Baptist Memorial Hospital-Memphis SNF

Baptist Skilled Rehab Unit - Germantown

Bright Glade Health And Rehabilitation Center

Dove Health & Rehab Of Collierville

Grace Healthcare of Cordova

Graceland Nursing Center

Harbor View (f/k/a Court Manor)

Primacy Healthcare and Rehab (f/k/a Kindred)

Memphis Jewish Home

Methodist Healthcare Skilled Nursing Facility

Midsouth Health And Rehabilitation Center

Millington Healthcare Center

Poplar Point (f/k/a Overton Park)

Quality Care Center of Memphis

Rainbow Health & Rehab Of Memphis

Signature Healthcare at Saint Francis

Signature Healthcare at St. Peter Villa

Spring Gate Rehabilitation And Healthcare Center

The Highlands Of Memphis Health & Rehab

The Village At Germantown

Whitehaven Community Living Center

Shelby County Nursing Homes with > 95% Average Annual Occupancy in 2011

Allen Morgan Health and Rehab Center

Applingwood Healthcare Center

Ashton Place Health & Rehab Center

Ave Maria Home

Baptist Memorial Hospital-Memphis SNF

Baptist Skilled Rehab Unit - Germantown

Bright Glade Health And Rehabilitation Center

Dove Health & Rehab Of Collierville

Grace Healthcare of Cordova

Graceland Nursing Center

Harbor View (f/k/a Court Manor)

Primacy Healthcare and Rehab (f/k/a Kindred)

Memphis Jewish Home

Methodist Healthcare Skilled Nursing Facility

Midsouth Health And Rehabilitation Center

Millington Healthcare Center

Poplar Point (f/k/a Overton Park)

Quality Care Center of Memphis

Rainbow Health & Rehab Of Memphis

Signature Healthcare of Memphis

Signature Healthcare at Saint Francis

Signature Healthcare at St. Peter Villa

Spring Gate Rehabilitation And Healthcare Center

The Highlands Of Memphis Health & Rehab

The Village At Germantown

Whitehaven Community Living Center

4. Section C, Need, Item 6

Your response to this item is noted. However please clarify if the licensed occupancy of 3% is correct in Year One with an average projected daily census of 9.

Yes, those numbers are correct. It should be noted the "Proposed 30 Beds" table assumes that the previously approved (CN1303-008A) 30 beds are opened simultaneously with the 30 beds requested in this application. It is difficult to accurately measure and project utilization on one set of 30 beds versus another in the same facility. So the more accurate measurement of utilization is the "60 Bed Facility" table. The latter reflects an overall occupancy of 50% in Year 1, and 92% in Year 2.

Your response to this item is noted. What does "RCA" stand for?

"RCA" stands for Retirement Companies of America, LLC.

NOV 26 '13 3:40

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON


NAME OF FACILITY: The Farms at Bailey Station

I, Jerry W. Taylor, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature]
Name
Attorney
Title

Sworn to and subscribed before me this the 26th day of November, 2013, a Notary Public in and for Davidson County Tennessee.

[Signature]
Notary Public



My Commission Expires: 3-7-2017

My Commission Expires MAR. 7, 2017



11-8-13

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before November 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-1601, *et seq.* and the Rules of the Health Services and Development Agency, that The Farms at Bailey Station SNF owned by Luke, Inc., a Tennessee nonprofit corporation, to be managed by Retirement Companies of America, LLC, intends to file an application for a Certificate of Need for the addition of 30 skilled nursing beds to be certified for Medicare participation, to be part of the 30 bed skilled nursing facility approved by certificate of need CN1303-008A. If this application is approved, the skilled nursing facility will have a total of 60 skilled nursing beds. The skilled nursing facility will be part of a continuing care retirement community which will include skilled nursing beds, assisted living beds and units and independent living units for seniors to be located on an unaddressed site on Crooked Creek Road just off Houston Levee Road, near the intersection of Houston Levee and Poplar in Collierville, Shelby County, Tennessee. The skilled nursing beds will be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities. Services to be provided in the proposed beds include a full range of skilled nursing services, including intermediate level and skilled level nursing, as well as rehabilitation and therapy services. The estimated project cost is \$7,250,000.00.

The anticipated date of filing the application is November 15, 2013.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, SunTrust Plaza, Suite 800, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228, jerry.taylor@stites.com.


Signature

11-8-13
Date

=====

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
OFFICE OF HEALTH STATISTICS
615-741-1954**

DATE: January 31, 2014

APPLICANT: The Farms at Bailey Station
Unaddressed site on Crooked Creek Road, off Houston Levee
Road, near the intersection of Houston Road and Poplar
Collierville, Tennessee 38017

CON: CN 1311-045

COST: **\$6,306,575**

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with the *Tennessee State Health Plan* and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, The Farms at Bailey Station Skilled Nursing Facility, located at an unaddressed site on Crooked Road, off Houston Levee Road, near the intersection of Houston Road and Poplar in Collierville (Shelby County) Tennessee, seeks Certificate of Need (CON) approval for the addition of 30 skilled nursing home beds to its existing complement of 30 skilled nursing home beds previously approved as CN1303-008A. These 30 skilled beds will also, as were the initial 30 skilled nursing home beds, be certified for Medicare participation, to be a part of a continuing care retirement community (CCRC) which will include skilled nursing beds, assisted living beds, and independent living units for seniors.

The project involves 28,372 square feet of space with a total construction cost of \$4,384,892.60. The cost per square foot is \$154.55. The cost per square foot is below the median for nursing home construction for Health Services and Development Agency (HSDA) approved projects during 2010-2012, according to the HSDA. The median cost per square foot is \$167.31.

The Farms at Bailey Station is a major residential and health care development for the City of Collierville and Southeast Shelby County. The project will ultimately include 266 independent living units constructed as a free-standing, one, two, and three bedroom townhomes, and 63 independent living garden homes. It will also include 63 independent living units, 23 of which will form a designated Memory Care Unit. The proposed additional 30 bed SNF will round out the continuum of care. Bailey Station will be situated on 23.6 acres, and the 60 bed Skilled Nursing Facility (SNF) units will occupy approximately 9.3 acres.

Bailey Station will be developed in two phases. Phase I will include the 30 Bed SNF, 164 independent living homes, and 63 assisted living units. Phase II of this project will add an additional 102 independent living units and the proposed addition of 30 beds to the SNF previously approved as CN1303-008A.

The Farms at Bailey Station is owned by Luke, Inc., a non-for-profit corporation in southeast Shelby County. The facility will be managed by Retirement Companies of America, LLC.

The total estimated project cost is \$6,350,000 and will be funded by a loan at 5.0% interest from BankTennessee as indicated in a letter from the Chief Executive Officer and President in Attachment C, II, Economic Feasibility, 2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee State Health Plan*.

NEED:

The applicant defines its primary service area as ten (10) contiguous zip code areas in southeast Shelby County and their secondary service area as the remainder of Shelby County. The Nursing Home Services criterion stipulates the bed need for the entire county is analyzed by the Tennessee Department of Health, Division of Policy, Planning and Assessment–Office of Health Statistics.

The Shelby County population is 943,812 in 2014, increasing to 949,178 in 2016, an increase of 5,366 or 0.6%.

The age 65 and older population is 108,570, increasing to 116,675 in 2016 an increase of 7.5%.

Shelby County Nursing Home Utilization 2011 Final

Nursing Home	Licensed Beds	2011 Patient Days	Licensed Occupancy
Allan Morgan Health and Rehab Center	104	27,178	71.6%
Allenbrooke Nursing and Rehab Center	180	62,846	95.7%
Applewood Healthcare Center	78	24,486	86.0%
Ashton Place Health and Rehab	211	65,464	85.0%
Ava Marie Home	75	25,652	93.7%
Baptist Memorial Hospital-Memphis SNF	35	10,590	82.9%
Baptist Memorial Rehab Unit	18	5,123	78.0%
Bright Glade Health and Rehab Center	77	25,451	90.6%
Civic Health and Rehab Center	147	52,210	97.3%
Dove Health and Rehab of Collierville	114	34,996	84.1%
Grace Healthcare of Cordova	284	74,167	71.5%
Graceland Nursing Center	240	76,445	87.3%
Harbor View Nursing and Rehab Center, Inc.	120	34,815	79.5%
Kindred Transitional Care	120	31,637	72.2%
Kirby Pines Manor	120	42,160	96.3%
Memphis Jewish Home	160	44,394	76.0%
Methodist Healthcare SNF	44	5,372	33.4%
Midsouth Health and Rehab Center	155	29,172	56.2%

Nursing Home	Licensed Beds	2011 Patient Days	Licensed Occupancy
Millington Healthcare Center	85	28,410	91.6%
Poplar Point Health and Rehab	169	47,604	77.2%
Parkway Health and Rehab Center	120	42,549	97.1%
Quality Care Center of Memphis	48	12,244	69.9%
Quince Nursing and Rehab Center	188	66,343	96.7%
Rainbow Health and Rehab Center	115	39,763	94.7%
Signature Healthcare at Saint Francis	197	62,807	87.4%
Signature Healthcare at Saint Peter Villa	180	54,445	82.9%
Signature Healthcare of Memphis	140	48,440	94.8%
Spring Gate Rehab and Healthcare Center	233	78,591	92.4%
The Highlands of Memphis Health and Rehab	180	55,265	84.1%
The King's Daughters and Sons Home	108	37,908	96.2%
The Village at Germantown	30	9,371	85.9%
Whitehaven Community Living Center	92	30,268	90.1%
Total	4,167	1,286,166	84.6%

Source: *Joint Annual Report of Nursing Homes 2011*, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

As a continuing care retirement community, The Farms at Bailey Station (FBSSNF) allows seniors the opportunity to reside in one community for the rest of their lives. This project to add SNF beds will fill the last component for the community. Residents of FBSSNF will buy into the community with an entrance fee that is determined by the size and type of unit purchased. Title to the living units will remain vested in Bailey Station, but the resident will have a life estate (the home is for the residence's exclusive use during their lifetime). The members will pay a monthly fee which will be determined by several factors, including the size and type of unit occupied upon entry. As a member of the community, each resident will be entitled to a bed in FBSSNF if and when their medical needs require a skilled nursing bed. Upon the resident's death regardless of whether or not they were a resident in the FBSSNF, the resident or the resident's heir(s) is entitled to a monetary payment in an amount calculated in accordance with the resident's contractual agreement.

The other levels of living within The Farms at Bailey Station will be the primary feeder for the SNF level of care after the first several years. The SNF beds will not be strictly limited to residents who are coming from an assisted living unit or from an independent living unit in Bailey Station; however, eventually approximately 80% to 85% of patients are projected to be members of Bailey Station. The applicant does not know at what rate the SNF will fill up with residents from the assisted living or independent living units, but the best estimate is 8 to 10 years.

Shelby County is below capacity for nursing home beds. The Division of Policy, Planning, and Assessment-Office of Health Statistics calculated a need for 5,094 nursing home beds. Based upon the

Tennessee Department of Health, Division of Health, Licensure and Regulation website, as of 1/14/2014 there are 3,976 licensed beds in 31 facilities in Shelby County with an overall occupancy of 84.6%. There are 148 additional beds approved but not in operation; resulting in an overall need for 970 additional nursing home beds.

TENNCARE/MEDICARE ACCESS:

The applicant will participate in Medicare but not Medicaid/TennCare because the continuing care retirement community (CCRC) model is not intended to serve the medically indigent.

The applicant estimates the Medicare revenue in year one to be \$4,015,524 or 85% of gross revenue in year 1 of the project. The applicant, on page 36 of the original application, estimates private pay gross revenue will represent approximately 15% of total gross revenue.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has reviewed the Project Costs Chart, the Historical Data Chart (when applicable) and the Projected Data Chart. It has been determined the charts and the projections based upon the applicant's anticipated level of utilization are mathematically accurate and correct. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Cost Chart is located on page 23 of the application. The total estimated project cost is \$6,306,575. The site acquisition cost is reflected in CN1303-008A.

Historical Data Chart: This project is for a new facility and has no Historical Data Chart.

Projected Data Chart: The Projected Data Chart is located on page 32 of the original application. The applicant projects it will provide 3,330 patient days of care in year one with a net operating loss of (\$478,550). In year two, the applicant projects 9,885 patient days with a net operating income of \$446,153. The applicant also provides a Projected Data Chart for all 60 beds on pages 30-31 of the original application.

The applicant projected an average year one gross charge for the entire 60 bed facility, of \$602.62 per day, with an average deduction of \$172.95 resulting in an average net charge of \$429.66 per day. The applicant compares these charges with other nursing home providers located within the primary service area on pages 34-35 in the original application. The applicant states its average net charge of \$429.66 is higher than The Village at Germantown CCRC based SNF average net charge of \$234.31 provides three (3) reasons for its higher average net charge:

1. The comparable average net charges for all of the other facilities in the designated service area are based upon 2012 data while the applicant's projected average net charge is based upon 2016;
2. The applicant will have case acuity mix that includes SNF patients and rehab patients that will result in higher average net charges per day; and
3. The Farms at Bailey Station will not participate in the TennCare/Medicaid program, which will result in higher per day average net charges.

The CCRC model is unique and fills an important niche in the senior care consortium. It affords seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and a SNF is a crucial component of care. For this reason, there is not a practical alternative to having a SNF beds on site in the CCRC.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant provides a list of all providers, managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships in Attachment C, III, Orderly Development, Item 1.

The Farms at Bailey Station will have a positive effect on the healthcare system in that it will fill a need for a community residential alternative and provide a continuum of care for seniors residing at The Farms at Bailey Station's assisted and independent living units.

There are no alternatives to the CCRC model of senior care. It affords seniors the opportunity to reside in one community for the remainder of their lives. This project will add 30 Medicare SNF beds to the continuum of care and is important in providing a crucial link in the total care of seniors.

The projected staffing of the 2nd 30 bed SNF upon fill-up and stabilization at 92% occupancy is as follows: 2.0 FTE registered nurse, 0.80 FTE registered nurse weekend (W/E), 4.0 licensed practical nurses, 1.60 FTE licensed practical nurses W/E, 5.0 FTE certified nursing assistants, and 2.00 FTE certified nursing assistants W/E. The projected staffing pattern can be found on page 39 of the application.

The applicant will be licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee State Health Plan*.

NURSING HOME SERVICES

Public Chapter No. 1112, Senate Bill No. 2463, which passed during the 1998 legislative session, amended and changed the code sections establishing the bed need formula that the Health Facilities Commission must follow when granting certificates of need for nursing home beds in Tennessee. During a fiscal year (July 1-June 30), the Commission shall issue no more than the designated number of Medicare skilled nursing facility beds for applicants filing for a certificate of need. The number of Medicare skilled nursing facility beds issued shall not exceed the allocated number of beds for each applicant. The applicant must also specify in the application the skilled services to be provided and how the applicant intends to provide such services.

A. Need

1. According to TCA 68-11-108, the need for nursing home beds shall be determined by applying the following population-based statistical methodology:

$$\begin{aligned}\text{County bed need} = & .0005 \times \text{pop. 65 and under, plus} \\ & .0120 \times \text{pop. 65-74, plus} \\ & .0600 \times \text{pop. 75-84, plus} \\ & .1500 \times \text{pop. 85, plus}\end{aligned}$$

The Division of Policy, Planning, and Assessment-Office of Health Statistics calculated a need for 5,094 nursing home beds in Shelby County.

2. The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health.

The Division of Policy, Planning, and Assessment-Office of Health Statistics calculated a need for 5,094 nursing home beds in Shelby County using the 2014 population projected two years to 2016.

3. The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health.

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics verified that currently there are 3,976 licensed beds in 31 facilities in Shelby County, as of 1/14/2014. There are 148 additional beds approved, but not in operation, resulting in a total of 4,124 nursing home beds in Shelby County. The resultant bed need is 970 beds for Shelby County.

"Service Area" shall mean the county or counties represented on an application as the reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside. A majority of the population of a service area for any nursing home should reside within 30 minutes travel time from that facility.

The applicant defines their primary service area as ten (10) contiguous zip code areas in southeast Shelby County and their secondary service area as the remainder of Shelby County. The Nursing Home Services criterion stipulates the bed need for the entire county is analyzed by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics.

4. The Health Facilities Commission may consider approving new nursing home beds in excess of the need standard for a service area, but the following criteria must be considered:
 - a. All outstanding CON projects in the proposed service area resulting in a net increase in beds are licensed and in operation, and
 - b. All nursing homes that serve the same service area population as the applicant have an annualized occupancy in excess of 90%.

The above criteria are not applicable. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has calculated there is a need for 970 nursing home beds in Shelby County.

B. Occupancy and Size Standards:

1. A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90 percent after two years of operation.

The applicant projects occupancy of 90% after the first two years of operation and 92% occupancy for all 60 beds.

2. There shall be no additional nursing home beds approved for a service area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 95 percent. The circumstances of any nursing home, which has been identified by the Regional Administrator, as consistently non-complying with quality assurance regulations shall be considered in determining the service areas, average occupancy rate.

The service area occupancy criterion is not met based upon a review of the Joint Annual Report of Nursing Homes 2011 Final. The 2012 nursing home data is provisional and was not used by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics. The applicant is a CCRC and its proposed beds will eventually be utilized by the residents of the CCRC.

3. A nursing home seeking approval to expand its bed capacity must have maintained an occupancy rate of 95 percent for the previous year.

This criterion does not apply to this project.

4. A free-standing nursing home shall have a capacity of at least 30 beds in order to be approved. The Health Facilities Commission may make an exception to this standard. A

facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.

The applicant seeks approval of this project in order to provide residents of The Farms at Bailey Station with access to skilled nursing home beds that are part of the CCRC system of care. A 30 bed SNF would not be adequate to serve all the residents as they age in place at the facilities assisted living and independent living units. Therefore, the additional 30 bed SNF unit is seen by the applicant as an essential component of its continuum of care.

Stan Joyner
Mayor

Maureen Fraser, *Alderman*
Jimmy Lott, *Alderman*
John Worley, *Alderman*
Tom Allen, *Alderman*
Billy Patton, *Alderman*



James H. Lewellen
Town Administrator

Kevin Carmack
Town Clerk

Town of Collierville

January 27, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deadrick Street
Nashville, TN 37243

Re: The Farms at Bailey Station
CN1311-045


Dear Ms. Hill:

This letter is written in support of the certificate of need application on behalf of The Farms at Bailey Station. The Farms at Bailey Station will provide needed quality assisted living care to serve our community's rapidly growing and diverse senior population.

Now more than ever it is important to encourage the development of health care services and facilities which are cost effective and provide a continuum of residential and assisted care. The fact that The Farms at Bailey Station will be owned and operated by not-for-profit organizations with a long and successful track record with senior care services and facilities makes this project even more worthy of approval.

I urge the Agency's favorable consideration of this certificate of need application, and appreciate your consideration of this request.

Sincerely,


Maureen Fraser
Mayor/Alderman, Town of Collierville



630147101331

January 24, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243 (e-mail: Melanie.Hill@tn.gov)

Re: The Farms at Bailey Station CN 1311-045

Dear Ms. Hill:

The following is written in support of the certificate of need application of The Farms at Bailey Station in Collierville, Tennessee.

I have witnessed the dynamic growth of Collierville since my first term on the Shelby County Commission in 1978. During my four (4) term or sixteen (16) years on the Shelby County Commission Collierville grew from a small rural community into a bustling municipality. In 1994 when I took office as Shelby County Mayor, Collierville was rapidly becoming one of the fastest growing communities in Tennessee. During my two (2) terms as Mayor, Collierville grew at an unprecedented pace.

With that growth has come the need for residential and health care options that The Farms at Bailey Station will provide. The independent living units, townhomes, and garden homes will offer our seniors a variety of residential choices. As health issues arise and maturity changes the needs of the residents it will be a seamless transition to assisted living, skilled nursing or memory care when and if that need occurs.

As a Commissioner I heard the promises made to the community when Kirby Pines was being discussed 30 years ago. Without question the promises were kept. Many seniors have received comfort and care that did not exist at the level provided by Kirby Pines and their management company, Retirement Companies of America, prior to their opening in the 1980's.

I encourage the Agency to look upon this outstanding proposed project and its excellent track record by a favorable consideration of this certificate of need application.

Respectfully submitted;


Jim Rout
President/ CEO



630747
FEB 10 14 AM 10:39

UT Medical Group, Inc.

Family Medicine - St. Francis
1301 Primacy Parkway
Memphis, Tennessee 38119-0213
901-866-8812 • Fax: 901-302-2812

January 31, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Bldg., 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: The Farms at Bailey Station SNF
CN 1311-045

Dear Ms. Hill:

I want to express my support for the proposed additional 30 beds for the skilled nursing facility that would be a part of The Farms at Bailey Station, a continuing care retirement community in Collierville.

I believe that a senior having the option of remaining in his or her familiar community of friends and loved ones, if and when the time comes for skilled nursing care, reduces the stress of that event and generally contributes to improved health and happiness. In addition, The Farms at Bailey Station will include a medical office building adjacent to the skilled nursing facility. One of my physicians serves as the Medical Director at the Kirby Pines facility. It is our intent to do the same at The Farms at Bailey Station. This will allow us to provide primary care to our patients who reside in the community in a convenient local setting, and facilitate our making rounds at the skilled nursing facility as needed. We also have the support of our multispecialty group that can provide for their medical and surgical needs.

Thank you for your thoughtful consideration of this proposal. It is my hope you will find it appropriate to approve the CON.

Sincerely,

A handwritten signature in black ink that reads 'David L. Maness'.

David L. Maness, DO, MS, FAAFP

Professor and Chair
Department of Family Medicine
College of Medicine
University of Tennessee Health Science Center
Memphis, Tennessee



Collierville Chamber of Commerce

"We Mean Business"

485 Halle Park Drive • Collierville, Tennessee 38017-2671
(901) 853-1949 • FAX: (901) 853-2399 • Toll Free: (888) 853-1949
www.colliervillechamber.com

January 30, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Via email: Melanie.Hill@tn.gov

Re: The Farms at Bailey Station
CN1311-045

Dear Ms. Hill:

I am writing this letter in support of the certificate of need application of The Farms at Bailey Station in Collierville. They have been a great corporate citizen, an active Collierville Chamber Member and have been very supportive in our community. The reputation of the applicant and the management company, Retirement Companies of America, for providing high quality nursing care as demonstrated by Kirby Pines for 30 years, is impeccable.

The Farms at Baily Station will be a major housing development, economic stimulus and employer in Collierville and eastern Shelby County. The Skilled Nursing Facility is an essential component of the CCRC, and these additional 30 beds are needed for efficient patient care.

I appreciate the opportunity to write in support of this project and urge the Agency's favorable consideration of this certificate of need application.

Sincerely,


Fran Persechini
President/CEO

F

Marvin & Virginia Ford
1666 Goldsmith Court
Collierville, TN 38017

630194101871

January 30, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Bldg., 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: The Farms at Bailey Station SNF
CN 1303-008

Dear Ms. Hill:

We are writing this letter in support of the certificate of need application on behalf of The Farms at Bailey Station Skilled Nursing Facility. We are now in our early 80's and have begun to make plans for our move to a facility that can take care of us in our final days.

As a future resident of "The Farms" we can't tell you how important the development of health care facilities and services are needed for Collierville and the surrounding area. The senior population is rapidly growing in and around Collierville and the idea of having a community where we, as seniors, can "age in place" is what peaked our interest in The Farms at Bailey Station.

We urge the Agency's favorable consideration in approving this certificate of need application in a timely manner because we need this facility to be finished as quickly as possible.

Thanking you in advance, we remain
Very truly yours,

Marvin Ford & Virginia Ford

Marvin & Virginia Ford
1666 Goldsmith Court
Collierville, TN 38017



Shelby County Government

MARK H. LUTTRELL, JR.
MAYOR

January 30, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: The Farms at Bailey Station CN 1311-045

Dear Ms. Hill:

Please allow this letter to serve as an expression of my support for the Certificate of Need Application for The Farms at Bailey Station. The Farms at Bailey Station is a major residential and health care development for the City of Collierville and Southeast Shelby County. Given the consistently strong growth that Collierville has experienced, there is an increasing need for residential and health care options for seniors.

This Continuing Care Retirement Community (CCRC) is a cost-efficient option for providing residential and health care services to the growing senior population. It will ultimately include 266 independent living units, 63 independent living garden homes, and 63 assisted living units, 23 of which will be in a designated Memory Care unit. The proposed 60 bed Skilled Nursing Facility will round out the continuum of care. This Skilled Nursing Facility is a necessary component to providing adequate and effective services to this area of Shelby County.

On behalf of the citizens of Shelby County, I encourage the Tennessee Health Services and Development Agency to review, support and approve the Certificate of Need Application for The Farms at Bailey Station. Please feel free to contact my office at 901-222-2000, should you have any questions.

Sincerely

Mark H. Luttrell, Jr.
Mayor

Stan Joyner
Mayor

Maureen Fraser, *Alderman*
Jimmy Lott, *Alderman*
John Worley, *Alderman*
Tom Allen, *Alderman*
Billy Patton, *Alderman*



James H. Lewellen
Town Administrator

Lynn Carmack
Town Clerk

Town of Collierville

January 27, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deadrick Street
Nashville, TN 37243

Re: The Farms at Bailey Station
CN1311-045

Dear Ms. Hill:

This letter is written in support of the certificate of need application on behalf of The Farms at Bailey Station. The Farms at Bailey Station will provide needed quality assisted living care to serve our community's rapidly growing and diverse senior population.

Now more than ever it is important to encourage the development of health care services and facilities which are cost effective and provide a continuum of residential and assisted care. The fact that The Farms at Bailey Station will be owned and operated by not-for-profit organizations with a long and successful track record with senior care services and facilities makes this project even more worthy of approval.

I urge the Agency's favorable consideration of this certificate of need application, and appreciate your consideration of this request.

Sincerely,

Stan Joyner
Mayor, Town of Collierville



FEB 10 '14 AM 9:42

BARRETT RICH
STATE REPRESENTATIVE
94TH LEGISLATIVE DISTRICT

LEGISLATIVE OFFICE:
212 WAR MEMORIAL BUILDING
NASHVILLE, TENNESSEE 37243-0194

DISTRICT OFFICE:
P.O. BOX 505
SOMERVILLE, TENNESSEE 38068

House of Representatives State of Tennessee

NASHVILLE

Committees:

Chairman of Health Subcommittee
Member: Criminal Justice Committee
Member: Ethics Committee
Member: Health Committee

TELEPHONE (615) 741-6890
FAX (615) 253-0380

February 4, 2014

Ms. Melanie M. Hill
Executive Director
Health Services and Development Agency
Andrew Jackson BLDG, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Dear Ms. Hill,

I have the privilege of serving as State Representative of House District 94, which encompasses all of Fayette and McNairy Counties as well as part of Hardeman County. Fayette County borders Shelby County just a few miles east of Collierville, where the Farms at Bailey Station will be located.

Serving as Chair of the Health Subcommittee of the House of Representatives, I strive to support proposals which will enhance the health and well-being of our citizens. The Farms at Bailey Station will provide an option for our seniors to "age in place" in a community surrounded by friends and neighbors, while having guaranteed access to skilled nursing care if the need arises. The additional 30 skilled nursing beds sought by the Farms at Bailey Station are needed to provide necessary and effective health care services to the continuing care retirement community and beyond, including citizens of my district.

I support the certificate need for The Farms at Bailey Station, and urge the Agency's approval of the same.

Sincerely,


Barrett Rich
House District 94



2014 FEB 04 PM 03:00

Brian Kelsey
State Senator
Judiciary Committee Chairman
District 31: Cordova,
East Memphis, and Germantown

Senate Chamber
State of Tennessee

7 Legislative Plaza
Nashville, TN 37243-0231
1-800-449-8366 ext. 13036
(615) 741-3036
fax (615) 253-0266
sen.brian.kelsey@capitol.tn.gov
www.briankelsey.org

February 4, 2014

Melanie Hill
Executive Director
Tennessee Health Services & Development Agency
Andrew Jackson Bldg., 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: The Farms at Bailey Station
CN1311-045

Dear Ms. Hill:

This letter is written in support of the certificate of need application on behalf of the Farms at Bailey Station. The Farms at Bailey Station will be located less than a mile from my district and will serve many of my constituents and their loved ones.

Now more than ever it is important to encourage the development of health care services and facilities which are cost effective and provide a continuum of residential and assisted care. This continuing care retirement community will do just that and is needed to serve the rapidly growing senior population. The fact that the Farms at Bailey Station will be owned and operated by not-for-profit organizations with a long and successful track record with senior care services and facilities makes this project even more worthy of approval.

I urge the agency to favorably consider this certificate of need application, and I appreciate your consideration of this request.

Sincerely,

Brian Kelsey



SENATOR MARK NORRIS

FEB 10 '14 AM 9:42

SENATE MAJORITY LEADER

STATE OF TENNESSEE

9A LEGISLATIVE PLAZA
NASHVILLE, TENNESSEE 37243
800-449-8366 ext. 11967
615-741-1967

February 4, 2014

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

CHAIRMAN

RULES

MEMBER

FINANCE, WAYS AND MEANS
STATE & LOCAL GOVERNMENT

Re: *The Farms at Bailey Station*
CN1311-045

Dear Ms. Hill:

I am writing this letter in support of the certificate of need application of The Farms at Bailey Station in Collierville which is in my Senate District.

Collierville and the surrounding areas are experiencing strong population growth, increasing the need for both residential and health care options. It is important for us to encourage and facilitate innovative, cost efficient health care services and facilities. The proposed continuing care retirement community, of which the skilled nursing facility is a necessary component, will allow seniors to age in place and receive assisted care and skilled care as needed, in a community of friends and care givers. The additional 30 beds now being requested are needed and will facilitate efficient and high quality patient care.

I appreciate the opportunity to provide input on this important project and urge the Agency's favorable consideration of this certificate of need application.

Sincerely,

Mark Norris
Senator

MN:la

CURRY TODD
STATE REPRESENTATIVE
95th LEGISLATIVE DISTRICT
MEMBER OF COMMITTEES

BUSINESS AND UTILITIES

SUB -OF BUSINESS AND
UTILITIES

STATE GOVERNMENT



LEGISLATIVE ADDRESS:
209 WAR MEMORIAL BLDG.
NASHVILLE, TENNESSEE 37243
PHONE: (615) 741-1866
FAX: (615) 253-0208

HOME ADDRESS:
170 LEGACY FARM PLACE APT. 102
COLLIERVILLE, TENNESSEE 38017
(901)387-9305

E-Mail Address:
rep.curry.todd@capitol.tn.gov

House of Representatives State of Tennessee

NASHVILLE

Melanie M. Hill
Executive Director
Health Services and Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

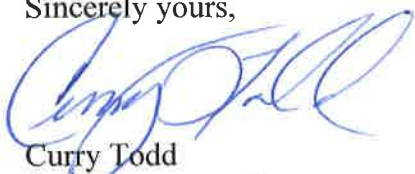
Re: The Farms at Bailey Station
CN1311-045

Dear Ms. Hill:

As State Representative serving House District 95, I have the privilege of representing the residents of southeastern Shelby county, including Collierville and the surrounding areas. The Farms at Bailey Station will be located in my district, and will provide a comprehensive residential and health care community for our senior citizens.

While the economic benefits to the city and county are important, providing our senior a living environment which is healthy, stable, and satisfying, as well as guaranteed skilled nursing services if and when needed, is even more important and gratifying. The Health Services and Development Agency has previously approved 30 skilled nursing beds for The Farms. The additional 30 skilled nursing beds now being requested are needed to provide the necessary continuum of care, and essential to the success of the project. I strongly support The Farms at Bailey Station, and urge you to approve the certificate of need. Thank you in advance for your thoughtful consideration of this important project.

Sincerely yours,



Curry Todd
State Representative
House District 95